

South Carolina State University

Orangeburg, South Carolina



Comprehensive Annual Financial Report
Included in the Higher Education Fund, an Enterprise Fund of the State of South Carolina
For The Year Ended June 30, 2006

South Carolina State University
Orangeburg, South Carolina



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For The Year Ended June 30, 2006

Prepared By
The Office of the Controller

South Carolina State University
Comprehensive Annual Financial Report
For The Year Ended June 30, 2006

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South Carolina State University Comprehensive Annual Financial Report



Introductory Section



South Carolina State University

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ORANGEBURG, SOUTH CAROLINA 29117-0001
(803) 536-7013 / 7014

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President's Letter 2006

Dear Family, Advocates, and Friends of SC State University:



There is no greater honor than serving as President of SC State University—the place where leaders excel. As an Institution of higher learning, it is incumbent upon SC State to remain constant in our production of highly competent graduates with successful careers in a global society; and during the 2005-2006 year, we celebrated many significant milestones and historic accomplishments.

We continued to push our Institutional priorities which included addressing capital improvement and deferred maintenance needs, strategic planning for the future, enhancing student life and performance, strengthening financial management, and enhancing academic programs. The University was very successful in these areas because of the arduous work of our administration, faculty, staff, students, and constituents who have continued to show unwavering support. As we, in the spirit of Nehemiah, continue our great team-building efforts, I am pleased to share with you highlights of the accomplishments for the year.

Specific to our capital improvement and deferred maintenance needs, FY 2005-2006 was a banner year for SC State. One of our most significant accomplishments was the opening of the first phase of our new 755-bed apartment-style residence hall. The \$39 million construction project, made possible because of a loan received from the U.S. Department of Education, is the largest single student housing project in the history of the University; and will address the health and safety issues we currently face, increase enrollment and improve the current infrastructure of the campus. The loan is also noteworthy because it is the largest non-student aid ever awarded to any institution by the U.S. Department of Education through any of its programs.

Continuing with capital improvements, most recently the South Carolina Budget and Control Board took favorable action on a number of significant projects that will change the physical campus along with creating new programs or strengthening existing ones that will be housed in new or renovated facilities. The Board adopted a resolution for the issuance of \$32,825,000 in general obligation bonds on behalf of the University to support capital improvement projects. They are:

- Engineering and Computer Science Complex – A new 100,000 square foot state-of-the-art facility costing \$24,675,000 will replace the Crawford Engineering Hall which was built in 1939 and listed on the register of Historic Places.
- Hodge Hall Science Building – Improvements to the existing facility will include a 70,000 square foot addition and renovations to 10,000 square feet. The renovations and expansions, costing \$20,294,975, will produce additional laboratory and classroom spaces, a greenhouse, and administrative and support services for the biology, chemistry, and physics programs.
- The James E. Clyburn Transportation Research and Conference Center – There was an increase in the Center's Phase I budget, bringing the total amount to \$27,715,655. Phase I will include the transit center, library, administrative offices, chiller and construction of an access road.

Additionally, this year, the University has invested more than \$1 million in our Athletics Program, resulting in two significant improvements to the Oliver C. Dawson football stadium. SC State will install a new \$448,975 video scoreboard that will include a face panel and video display system which allows for instant replays along with opportunity for revenue through sponsorships and commercials during football games. The other project is the replacement of the existing natural grass with the synthetic turf, costing \$578,000.

Always student centered, the University received confirmation of such, by being ranked fourth in the nation in Social Mobility by the national publication, Washington Monthly.

Another exceptional accomplishment is that SC State was chosen to be one of only six colleges/universities in the Nation to take part in the Africa Education Initiative textbooks program. Launched in Ghana, Africa, I stood along side First Lady Laura Bush as the \$600 million commitment to provide books, scholarships, school uniforms, and teacher training was officially announced. SC State will provide assistance to the African country of Tanzania.

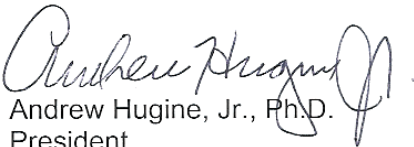
As always, SC State continues to take very seriously its position as a business and its fiscal integrity. To ensure fiscal responsibility, the University assembled a highly competent team of financial personnel; resulting in the significant reduction in the number of audit findings from previous years and the establishment of a contingency fund of \$2 million.

In concert with our fiscal soundness, I am pleased that the results of our 2005 comprehensive annual financial report (CAFR) earned the University a Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada. The Certificate of Achievement is the highest form of recognition in governmental accounting and financial reporting and its attainment represents a significant accomplishment by a government and its management.

This speaks volumes to the commitment of the University to excellence and being good stewards of the resources entrusted to us. The distinction is even more significant because this is the first time we applied and were successful on our first attempt.

As we build upon our legacy of excellence by producing leaders and contributors who render valued services in improving the quality of life and economic conditions of the citizens of our community, state and nation, I feel extremely privileged to serve as the ninth President of SC State University. We will continue the great building work upon which we have embarked by sustaining and advancing our vision for the University!

Sincerely,



Andrew Hugine, Jr., Ph.D.
President



Senior Vice President
of
Finance, Facilities and Management
Information Systems

South Carolina State University

DR. M. MACEO NANCE, JR. HIGHWAY
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LETTER OF TRANSMITTAL

To the President and Members of the Board of Trustees:

Management is pleased to present to you the Comprehensive Annual Financial Report of South Carolina State University for the fiscal year ended June 30, 2006.

Management asserts that this financial report is complete and reliable in all material respects, and accepts full responsibility for the completeness and reliability of all the information presented in this report. Generally Accepted Accounting Principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction. The University's MD&A can be found immediately following the report of the independent auditor.

Profile of the University

South Carolina State University (SC State), a senior comprehensive teaching and 1890 land-grant institution, is committed to providing affordable and accessible quality undergraduate and graduate degree programs. SC State is a public University, with a student population of approximately 4,500 located in Orangeburg, SC. Orangeburg is a small rural/agricultural city in the middle of the state that has evolved to include businesses and industries that are national and international in scope. The University currently offers 54 undergraduate degree programs through three academic colleges and nine graduate degree programs (1 doctoral degree and 8 master's degree programs).

SC State's 1890 land-grant legacy of service to citizens of the local community, the state, nation, and global society is ensured through its collaborative efforts with businesses, secondary education, colleges and industries. This symbiotic relationship provides a catalyst that spurs reciprocal economic and social growth for all.

Economic Environment

SC State anticipates an enrollment increase of approximately 5% in fiscal year 2006. We anticipate the growth of enrollment will continue, spurred primarily by the construction of a new apartment-style residential community (thirteen buildings). Management implemented a Board of Trustees approved 5% increase in tuition and fees along with a 5% increase in room and board for fiscal year 2006. The revenue derived from these increases was used to offset inflation, to assist in addressing deferred maintenance on the campus, and to increase faculty salaries in order to attract and retain highly-qualified faculty.

Although the state's economic indicators suggest improvement in the state's economy, it is questionable as to whether this improvement will result in any significant increase in operating revenue for higher education. Correspondingly, we do not expect any significant reductions in state appropriations for fiscal year 2006. Funds will be used conservatively to maximize reserves which may

be needed to absorb unanticipated reductions. As revenue streams improve for the State, we anticipate the majority of the state's education budget will be designated for K-12 and human services programs. The legislature has earmarked South Carolina Education Lottery funds for tuition assistance directly to students, and to institutional technology projects, but has steadily decreased funding for general operations. The fiscal year 2006 state budget appropriated to SC State operations represents only 82% of the amount appropriated for fiscal year 2001.

With respect to tuition revenue, SC State's in-state tuition is in the median range for South Carolina. However, the governing body must decide whether or not to raise resident tuition while still striving to remain competitive with other colleges and universities in the state.

SC State is situated in a rural county, and as a result, the operations of the institution have a substantial economic impact on the surrounding communities. To document this fact, the results of a recently conducted economic impact study of SC State revealed the following:

"There are many facets to the economic impact of an institution of higher education, including both the short-term impacts on the local economy via local spending by the University and its faculty, staff, students and visitors, and the longer-term impact on the economy based on higher education levels, increased productivity and improvements in the quality of life in the area. The purpose of this economic impact research has been to quantify the first set of impacts (e.g. those impacts on economic activity that can accurately be estimated using the standard tools of economic impact analysis)."

Consequently, the research focused on the economic impact of the following specific activities associated with SC State:

1. The regular, ongoing operations of the university itself – including the cost of faculty, staff, and other non-labor expenditures.
2. University construction projects, specifically for fiscal year 2005, and also for several recent years, as well as planned projects for the future.
3. SC State University student expenditures in the local economy, excluding payments directly to the university.
4. Visitor spending at the 2004 SC State University Homecoming football game.

A sample of the economic impact of these activities for fiscal year 2004-05 is provided below. Many of these components are relatively stable from year to year, and these results provide a good indication of predicted future impacts. Moreover, the construction component in particular can be expected to have a substantially higher economic impact in coming years as the university engages in several large-scale capital projects, which in addition to modernizing, expanding and enhancing the university's facilities, will also provide a significant boost to the local economy.

SC State's economic impact for fiscal year 2004-2005 included:

- A total addition to the local economy of \$152.5 million. This represents the level of sales at local businesses that can be attributed to the presence of SCSU.
- A total impact on local household income of \$69.5 million. This represents the portion of Orangeburg area household income that can be traced to the activities of SC State University.
- A total of 1,558 jobs in the Orangeburg area reflecting jobs at the university, as well as jobs throughout every sector of the local economy.
- Total local sales tax collections of \$500,000 annually – representing a substantial portion of total local sales taxes collected in Orangeburg County.

FINANCIAL INFORMATION

Internal Controls

Management maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Legislature. Internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. An internal control structure has been implemented to accomplish two primary objectives: (1) ensure that the University's assets are protected from loss, theft, or misuse, and (2) ensure that adequate accounting data are compiled to allow for the preparation of financial statements in accordance with legal requirements and Generally Accepted Accounting Principles (GAAP).

The concept of reasonable assurance recognizes that, the cost of a control should not exceed the benefits likely to be derived, and the valuation of costs and benefits require estimates and judgments by management. Because the cost of internal controls should not outweigh their benefits, the University's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Budgetary Controls

SC State prepares, on an annual basis, a budget that provides reasonable estimates of revenues and expenditures. The budgetary process encompasses all operating budgets of the university to include educational and general activities, the operations of auxiliary enterprises, all sponsored program activities, and all capital projects. The budget's preparation is based on programmatic planning by the university through department heads, academic offices, the president's cabinet, and the President. The budget is then presented to the Board of Trustees for approval. Budget versus actual reports are prepared quarterly for review and presentation to the Audit and Finance Committee, and Board of Trustees.

Debt Management

SC State follows a debt management strategy to ensure the university stays within the framework of an acceptable level of debt. Management monitors the debt service level to remain apprised of the effects of long-term debt on the University's credit rating. This strategy acknowledges that, although all University revenues are generally available to meet any need, debt issued for one operational segment should be repaid from the resources generated by that segment.

Cash Management

State law requires that substantially all of the University's receipts and disbursements be made using bank accounts in the name of the South Carolina State Treasurer. The State Treasurer performs almost all cash management activities for the university cash balances on deposit with in-state bank accounts. As a participant in the State's cash management pool, the University receives investment income allocations for certain qualifying cash balances.

Risk Management

SC State participates in the state of South Carolina's state-wide risk management program. The State's program assumes substantially all risks for unemployment and workers' compensation benefits and claims of covered employees for health, dental, and group-life insurance benefits. The University pays premiums to the State's Insurance Reserve Fund to cover the risk of loss related to the following assets and activities, Building and Property (including contents), General Tort Liability, Medical Professional Liability, Blanket Accident Trip Coverage, Automobile Liability, and Automobile Physical Damage.

Relevant Financial Policies

In addition to being guided by its own strategic plan, the University is a part of state government in South Carolina, and as such, follows state law and policies regarding procurement, construction, human resource practices, contract and grant funding, and other operating practices. A budget, which is built on a robust internal budget process, is submitted annually to the Governor's Office. The University uses a bottom-up process first that requires identified needs from department heads, deans, and chairs.

These requests are forwarded to cabinet members. A budget committee is formed to include the President and presentations are made by each cabinet member. A budget is agreed upon, presented to and approved by the Board of Trustees.

Major Initiatives

Five major initiatives have been identified that will ensure the viability of the Institution. The financial management team is proud to support these initiatives:

1. Strengthen Financial Management

- A. The 2006 audit report was completed on time. For the first time in recent years, the University's annual report was able to be included in the state of South Carolina's Comprehensive Annual Financial Report (CAFR).
- B. A \$2 million contingency fund was established.
- C. The fiscal year ended with a surplus.

2. Capital Improvement and Deferred Maintenance

Major projects are planned and being implemented to address the University's brick and mortar needs. The following projects and activities were in various stages of implementation during FY 2005-06. Infrastructure projects are targeted in the following areas:

A. Student Housing

A \$42-million student housing project is in Phase I of the University's student housing plans. The project is a 13-building (approximately 750 beds) apartment-style residential community.

B. Classroom Buildings

- 1. Plans for Hodge Hall Science Building and expansion are being reviewed.
- 2. Repairs and upgrades are being implemented in Turner Hall.

C. Dining Facilities

- 1. Renovations to the Pitt are completed.
- 2. Renovations to Washington Dining Hall are being enjoyed by students, faculty and staff.

D. Bookstore

Operations and management were outsourced to Follett Higher Education Group. They have committed \$230,000 to renovate and upgrade the bookstore.

E. Facilities Maintenance

Sodexo Campus Services has agreed to work with the University and ensure that the campus community is clean and environmentally safe. As an outsourced company, Sodexo provides effective management of human, financial, and physical resources.

3. Improve quality of academic programs

Academic quality is a result of a dedicated faculty and the leadership provided by the University's Vice President of Academic Affairs. The faculty continually strives for excellence as noted by their peers throughout national publications. The accomplishments of the faculty are numerous. For example, in addition to having 93% of accreditable programs accredited, the University continues to receive high ranks in the production of doctorates in education administration (3rd), tenth in mathematics and statistics, and eleventh in biological and biomedical sciences programs (*Black Issues in Higher Education*, June 2, 2005).

Moreover, whereas colleges and universities are expected to be engines of "**social mobility**" and produce the academic minds and scientific research that advance knowledge and drive economic growth, the University ranks 1st (*The Washington Monthly College Guide*, September, 2006).

4. Strategically planning for the future.

The development of a strategic plan greatly helps to clarify the University's plans and ensures that key managers within the University are all on the same page. Simply put, strategic planning determines where a University is going, how it will get there, and explains how it will know if it got there or not.

Financial management supports the University's Strategic Plan that defines and articulates the following:

- A. The University's goals and objectives.
- B. The purpose of the University and the realistic goals and objectives consistent with the Institution's mission, and the time frame within the University's capacity for implementation.
- C. The priority in which the University's resources should be focused.
- D. A base from which progress can be measured and a mechanism for informed change when needed.

5. Enhance student life and performance.

Management is committed to the theory and practice of ***"helping students learn and grow."*** Evidence supports the claim that students are truly achieving learning and development goals that includes intellectual, cognitive, social, civic, political, moral, ethical, and spiritual dimensions. Examples of positive student life and performances are:

- A. SC State's Honors Program claimed two first place awards in academic competition at the National Association of African American Honors Programs Conference (November, 2005).
- B. The 2005 Marching 101 Band was recognized for being synonymous with masterful musicianship and excellent performance (September 16, 2005).
- C. The Honda Campus All-Star team finished in the Final Four in 2004 and earned \$12,500 during Honda's Annual Academic competition.
- D. SC State's gospel choir was named the 2006 and 2005 National Collegiate Gospel Choir of the Year.
- E. Twelve student-athletes in 2006 and eight student-athletes in 2005 were named Arthur Ashe, Jr. Sports Scholars by Black Issues in Higher Education.
- D. SC State's women's and men's tennis teams captured the Mid-Eastern Athletic Conference championships in 2006 and 2005 and participated in the prestigious NCAA Tennis Championships.

OTHER INFORMATION

Independent Audit

State law, federal guidelines, and certain bond covenants require that the University's accounting and financial records be audited each year. Under the terms of this contract, Cherry, Bekaert and Holland, LLP (CB&H) will perform an audit of the University's financial statements and the University's federal financial assistance programs through fiscal year 2009.

The goal of the independent audit was to provide reasonable assurance that the financial statements of the University for the fiscal year ended June 30, 2006, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used, and significant estimates made by management; and evaluating the overall financial statement presentation.

The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the University's financial statements for the fiscal year ended June 30, 2006, are fairly presented in conformity with generally accepted accounting principles. The independent auditor's report is presented as the first component of the financial section of this report.

In addition to an independent audit, SC State is audited on a periodic basis by the SC Budget & Control Board to ensure compliance with provisions of the South Carolina Procurement Code.

Certificate of Achievement for Excellence in Financial Reporting

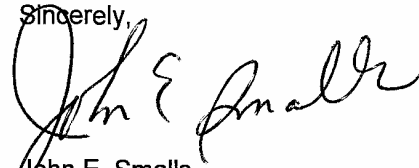
The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to South Carolina State University for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2005. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

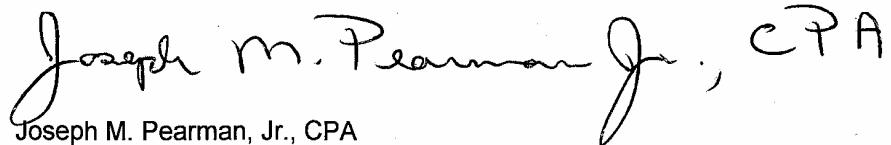
Acknowledgments

Management thanks the President of the university and members of the Board of Trustees for their continued support and dedication to excellence and integrity in fiscal affairs of the South Carolina State University. We would also like to extend our appreciation to all of our colleagues across campus whose dedication and hard work resulted in a successful closure of the fiscal year.

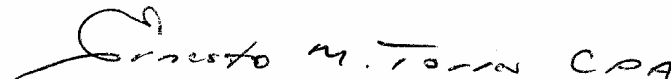
Sincerely,




John E. Smalls
Senior Vice President for Finance, Facilities & MIS



Joseph M. Pearman, Jr., CPA
Assistant Vice President for Fiscal Affairs



Ernesto Torres, CGFO, CPA
Controller



William Ellis, CPA
Accounting Manager

Certificate of Achievement for Excellence in Financial Reporting

Presented to

South Carolina State
University

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officer Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Perry
President

Jeffrey R. Enner
Executive Director

South Carolina State University Board of Trustees 2005-2006



Governor Mark Sanford



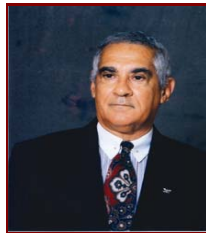
Maurice G. Washington
Chairman, Sixth District



Brantley E. Evans
Vice Chairman, At-Large



Neville O. Lorick
Secretary, At-Large



Col. (Retired) John T. Bowden, Jr.
At-Large



Jonathon Pinson
At-Large



Earl A. Bridges, Jr.
At-Large



Dr. John H. Corbitt
At-Large



Reggie Gallant
Second District



Karl V. Green
First District



Linda K. Edwards Duncan
Fifth District



Glenn E. Jones
At-Large



Charles C. Lewis
Third District



Martha S. Smith
Governor's Designee



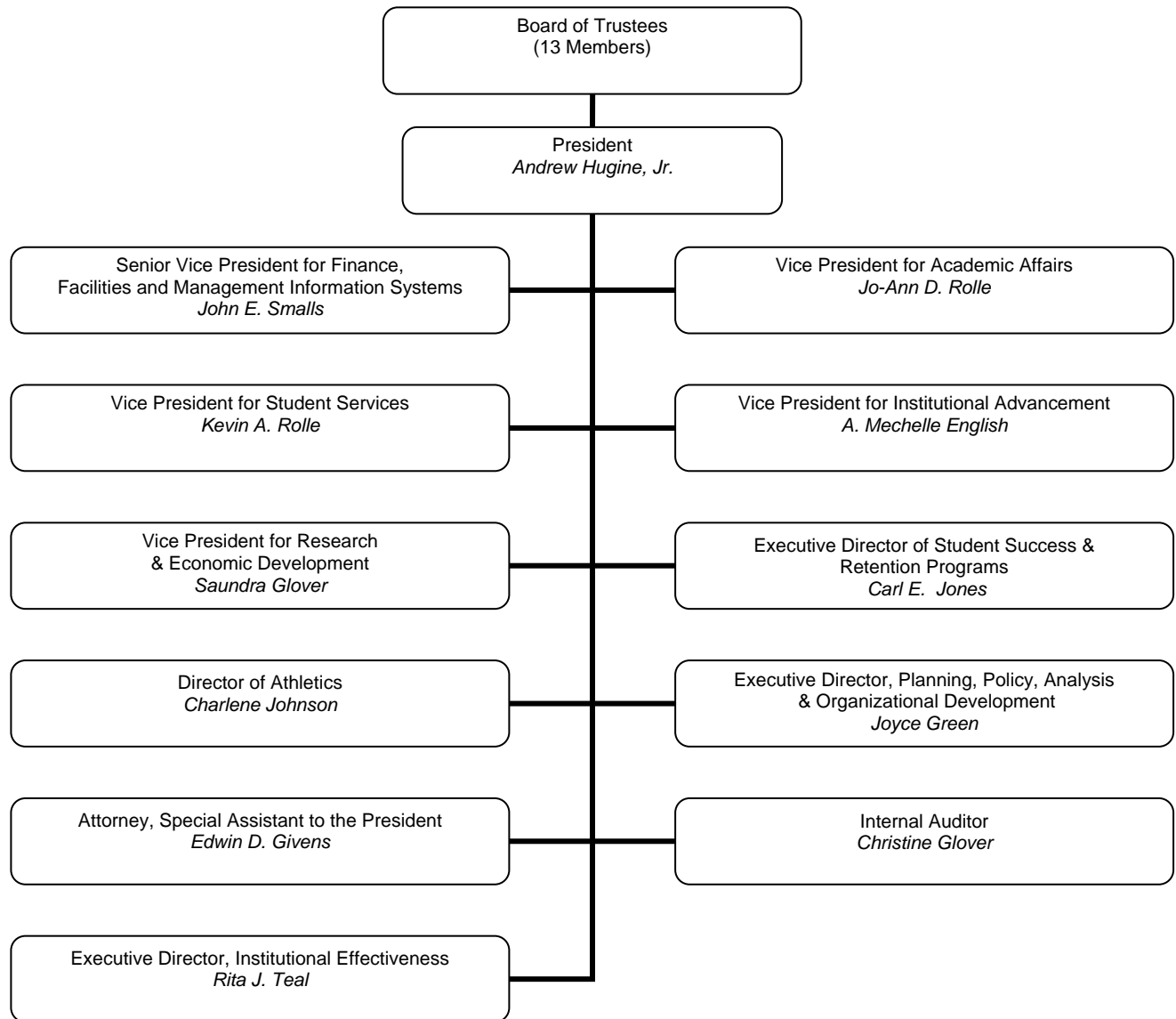
Attorney Charles H. Williams
At-Large



Lumus Byrd, Jr.
Third District

South Carolina State University

Organizational Structure



South Carolina State University
Business and Finance Officers

John E. Smalls
Senior Vice President for Finance, Facilities and MIS

Joseph M. Pearman, CPA
Assistant Vice President for Fiscal Affairs

Ernesto M. Torres, CGFO, CPA
Controller

William Ellis, CPA
Accounting Manager

South Carolina State University Comprehensive Annual Financial Report



Financial Section



Independent Auditors' Report

Members of the Board of Trustees
South Carolina State University
Orangeburg, South Carolina

We have audited the accompanying financial statements of the business type activity and the discreetly presented component unit of South Carolina State University, (The University) as of and for the year ended June 30, 2006 which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of The University's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of South Carolina State University Foundation, Inc. a component unit of The University. South Carolina State University Foundation, Inc.'s financial statements reflect 4% of total assets as of June 30, 2006 and 1% of total revenues for the year then ended. These statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for this component unit, are based solely on the report of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of South Carolina State University Foundation, Inc. were not audited in accordance with *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1 to the basic financial statements, the accompanying financial statements of The University are intended to present the financial position, the changes in its financial position, and cash flows of only that portion of the business type activities of the State of South Carolina financial reporting entity that is attributable to the transactions of The University. They do not purport to and do not, present fairly the financial position of the State of South Carolina, as of June 30, 2006, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of the business type activity and the aggregate discreetly presented component unit of South Carolina State University as of June 30, 2006, and the changes in its financial position and its cash flows for the year then

ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2006 on our consideration of The University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 20 through 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The information presented in the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied to the audit of the financial statements and, accordingly, we express no opinion on it.

Cheng Beckett + Holland, C.C.P.

Beaufort, South Carolina
September 8, 2006

SOUTH CAROLINA STATE UNIVERSITY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2006

Introduction

We are pleased to submit the annual Financial Statements for South Carolina State University (the University) for the fiscal year ended 2006. The following discussion and analysis has been prepared by the management of South Carolina State University to provide an overview of the financial activities of the University for the fiscal year ended June 30, 2006. Please read it in conjunction with the financial statements and the accompanying notes to the financial statements. The financial presentation for the University has been prepared to meet the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, and GASB Statement No. 35, *Basic Financial Statement's and Management's Discussion and analysis for Public Colleges and Universities*. During fiscal year 2004 the University implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units – An amendment of GASB 14*, and for the third year has incorporated one non-governmental component unit, the South Carolina State University Foundation, Inc. There are two South Carolina State University Foundation, Inc. statements presented separately in the University's report. These statements are the (1) Statement of Financial Position and the (2) Statement of Activities. Management's Discussion and Analysis addresses the activity of the University and does not include financial activity of the Foundation. Information presented in the Financial Statements is designed to aid a wide variety of readers in assessing the effectiveness of the University's management in using its resources to meet its primary mission of instruction, research, and public service and to provide a comprehensive picture of the University's financial activities and soundness.

Using this Annual Report

This annual report consists of a series of financial statements as follows: the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These financial statements emphasize the financial condition of the University, the cash flows (sources and uses of funds) of the University as a whole, and the results of operations. As a result of the implementation of GASB Statement 34, public colleges and universities of South Carolina elected to report as business type activities (BTAs). Therefore these statements are intended to provide a view of the University's financial position similar to that presented by most private sector companies. The financial statements are presented using the accrual basis of accounting. The accrual basis of accounting takes into consideration all of the University's revenue and expenses regardless of when cash is received or payments are made. Significant revenues of the University such as state appropriations, gifts, and investment income are considered non-operating.

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities, and net assets of the University as of the end of the fiscal year. This statement is a point-of-time financial statement that provides the reader with a fiscal snapshot of South Carolina State University. The Statement of Net Assets consists of assets (current and non-current), liabilities (current and non-current) and net assets (assets minus liabilities). Current assets consist principally of cash and receivables. The current portion of the assets will be converted to cash within one year to be used to pay for the current portion of the liabilities. Current liabilities consist principally of accounts payables and accrued compensation. These liabilities will be settled within one year. Non-current assets consist primarily of capital assets, net of accumulated depreciation. Non-current assets will not be converted to cash within one year. Non-current liabilities consist primarily of notes and bonds payables, net of the current portion and accrued compensation, net of the current portion. Non-current liabilities will not be settled within one year. Net assets are divided in three major categories. The first category, Invested in Capital Assets, Net of Related Debt, provides the University's equity in property, plant, and equipment owned by the University. The next category is restricted net assets, which is further divided into two categories, nonexpendable and expendable. The corpus of the nonexpendable restricted resources is for investment purposes only and therefore is not available for expenditure. The expendable restricted net assets are available for expenditure by the University but are restricted for specific purposes based on defined restrictions by donors and/or external entities. The third category of net assets is unrestricted net assets. These assets may be expended for any lawful purpose of the University.

The "Condensed Statement of Net Assets" as shown below, presents a comparison of assets, liabilities, and net assets between June 30, 2005 and June 30, 2006.

Condensed Statement of Net Assets

	<u>2006</u>	<u>2005</u>	<u>Increase Decrease</u>	<u>Percent Change</u>
Assets:				
Current Assets	\$ 15,177,036	\$ 16,208,032	\$ (1,030,996)	-6.36%
Non-current Assets	14,570,338	12,303,055	2,267,283	18.43%
Capital Assets, Net	70,503,211	49,461,680	21,041,531	42.54%
Total Assets	\$ 100,250,585	\$ 77,972,767	\$ 22,277,818	28.57%
Liabilities:				
Current Liabilities	\$ 14,718,820	\$ 10,640,213	\$ 4,078,607	38.33%
Non-current Liabilities	29,429,736	13,260,098	16,169,638	121.94%
Total Liabilities	\$ 44,148,556	\$ 23,900,311	\$ 20,248,245	84.72%
Net Assets:				
Invested in Capital Assets,				
Net of Related Debt	\$ 43,854,819	\$ 38,718,156	\$ 5,136,663	13.27%
Restricted-Nonexpendable	868,477	783,647	84,830	10.83%
Restricted—Expendable	6,160,620	10,010,830	(3,850,210)	-38.46%
Unrestricted	5,218,113	4,559,823	658,290	14.44%
Total Net Assets	\$ 56,102,029	\$ 54,072,456	\$ 2,029,573	3.75%

The vast majority of current assets are composed of cash and cash equivalents and accounts receivable, net of allowance for doubtful accounts. Current liabilities consist primarily of account payable, accrued payroll and compensated absences, retainage payable, and deferred unearned student revenues.

The increase in assets is almost wholly attributable to the increase in construction in progress of \$21.8 million at June 30, 2006. The increase is related to the construction of the new student residential life facility. See the *Capital Asset and Debt Administration* section below for further discussion on the new student residential life facility. There was a \$3.5 million increase in unrestricted cash and cash equivalents which were offset by a reduction of current accounts receivables of \$4.3 million. This comparison shows the result of the University's efforts to collect outstanding receivables on a timelier basis. We expect to see a trend of reduced receivable balances in future years. There is also a decrease of inventories of \$513,279 from fiscal year 2005 to \$0 in fiscal year 2006. The University outsourced its bookstore operation in July 2005. The bookstore inventory has been sold and/ or returned to the publishing companies. The University experienced an increase in current liabilities of \$4.0 million. Of this, \$1.9 is attributable to retainage payable booked relating to the construction of the new residential life facilities and \$2.0 million in accounts payables. The substantial increase in the non-current liabilities is wholly attributable to the portion of note payable for construction related to the student residential life facility note.

Net assets are a good indicator of the University's financial position and will become a more useful trend measurement tool of financial strength once additional historical data is obtained.

Statement of Revenues, Expenses, and Changes in Net Assets

The Statement of Revenues, Expenses, and Changes in Net Assets is a presentation of the revenues earned and expenses incurred during the fiscal year. Revenues and expenses are reported as either operating or non-operating. The financial reporting model selected by public institutions classifies state appropriations and gifts as non-operating revenues. Since the University is a public institution and depends upon state aid and gifts, the University's statement will result in an operating deficit, all things being equal. This statement will reflect the utilization of long-lived or capital assets in the form of depreciation expense. Depreciation expense amortizes the cost of a capital asset over its expected useful life.

Generally speaking, operating revenues are earned or received for providing goods and services to the various customers or students and constituencies of the University. Operating expenses are those expenses paid or incurred to acquire or produce the goods and services provided. Operating revenues and expenses are a result of carrying out the mission of the University. Non-operating revenues are received for which there is not a reciprocal agreement – no goods and services are provided.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	<u>2006</u>	<u>2005</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Operating Revenues				
Student tuition and fees (net of allowance)	\$ 24,964,972	\$ 24,379,741	\$ 585,231	2.40%
Grants and contracts	32,281,281	32,830,230	(548,949)	-1.67%
Sales and services (net of allowance)	10,077,550	11,243,058	(1,165,508)	-10.37%
Other operating revenues	3,664,130	3,020,542	643,588	21.31%
Total Operating Revenues	\$ 70,987,933	\$ 71,473,571	\$ (485,638)	-0.68%
Operating Expenses				
Salaries and wages and related fringe benefits	52,514,428	48,570,818	3,943,610	8.12%
Services, supplies, and others	32,964,549	33,446,949	(482,400)	-1.44%
Utilities	3,942,948	3,025,738	917,210	30.31%
Scholarships	9,251,971	8,478,312	773,659	9.13%
Depreciation	1,747,984	1,920,218	(172,234)	-8.97%
Total Operating Expenditures	\$ 100,421,880	\$ 95,442,035	\$ 4,979,845	5.22%
Operating Loss	\$ (29,433,947)	\$ (23,968,464)	\$ (5,465,483)	22.80%
Non-Operating Revenues (Expenses)				
State appropriations	27,216,448	23,170,304	4,046,144	17.46%
State grants	3,715,691	4,450,316	(734,625)	-16.51%
Interest and other investment income	340,829	262,362	78,467	29.91%
Interest and other fees on capital assets and related debt	(309,868)	(410,961)	101,093	-24.60%
Remittances to the State	(201,206)	(167,173)	(34,033)	20.36%
Loss on disposal of assets and other non-operating	99,597	91,269	8,328	9.12%
Non-Operating Revenues (Expenses)	\$ 30,861,491	\$ 27,396,117	\$ 3,465,374	12.65%
Income before other revenues, expenses, gains or losses	1,427,544	3,427,653	(2,000,109)	-58.35%
Capital grants and gifts	602,029	1,030,720	(428,691)	-41.59%
Increase in Net Assets	\$ 2,029,573	\$ 4,458,373	\$ (2,428,800)	-54.48%
Net Assets at Beginning of Year				
As Previously Reported	\$ 54,072,456	\$ 49,614,083	\$ 4,458,373	8.99%
Net Assets at End of Year	\$ 56,102,029	\$ 54,072,456	\$ 2,029,573	3.75%

Operating revenues for Student Tuition and Fees and the Auxiliary Enterprises have been shown net of Scholarship Allowances. This is a calculation and reporting requirement as a result of the implementation of GASB 34/35. A scholarship allowance is defined as the difference between the stated charge for goods and services provided by the institution and the amount that is billed to the student and/or third parties making payments on behalf of the student. Overall operating revenues remained consistent from fiscal year 2005 to 2006. As shown above there was a decrease in of \$1.2 million sales and services. The largest component of the decrease in sales and services was a result of outsourcing the bookstore.

Operating expenses increased in fiscal year 2006 in comparison to fiscal year 2005 by \$5.0 million. The increase is mainly attributable to the following three items: (1) a \$3.9 million increase in salaries, wages, and related fringe benefits. This includes the costs of the across the board cost of living increase imposed by the State Legislature and a rising labor pool, (2) A \$.9 million (30%) increase in utility costs, and (3) \$.7 million increase for scholarships that is directly related to the Board imposed tuition increase.

The University's "Operating Loss" of \$29.4 million is due mainly to the fact that State Appropriations (\$27.2 million) and certain State grants (\$3.7 million) were determined not to be operating revenues for colleges and universities according to GASB 35. These two revenue lines appear under "Non-operating Revenues." The increase in operating expenditures and the decrease in operating revenues for fiscal year 2006 increased the operating loss from 2005 by \$5.5 million.

Statement of Cash Flows

The final statement presented is the Statement of Cash Flows. The Statement of Cash Flows presents detailed information about the cash activity of the University during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the University. The second section reflects cash flows from non-capital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows purchases, proceeds and interest received from investing activities. The fifth section reconciles the net cash used by operating activities to the operating income or loss on the Statement of Revenues, Expenses and Changes in Net Assets.

Capital Asset and Debt Administration

The University's "Statement of Net Assets" reflects total Capital Assets, net of accumulated depreciation, as of June 30, 2006 of \$70.5 million. This amount is presented net of accumulated depreciation and includes land, plant (facilities), equipment, and construction in progress. Significant to the facilities total is that of the 49 buildings listed in the financial records, 70% of these buildings are more than 30 years old. Eleven of the forty-nine facilities are students' residential facilities.

The University's financial statements indicate \$26.6 million in notes and bonds payable. The University's total indebtedness consisted of: State Institution bonds of \$3.6 million, stadium improvement revenue bonds of \$1.4 million, and a student residential life building revenue note of \$21.6 million. Revenue bonds for stadium improvement and the student housing note are paid with pledged net revenues. For additional information on Debt Administration, see Notes 9, 10 and 11 in the Notes to the Financial Statements.

The University had \$28.4 million in construction in progress as of June 30, 2006. The components of the construction in progress are related to the construction for the student residential life building (\$23 million), the renovation of Hodge Hall (\$3.4 million), the Architecture and Engineering of the James E. Clyburn Transportation Center (\$1.1 million), renovation of Lowman Hall (\$280,000), and the Library Expansion (\$125,000). New capital equipment and machinery, with an individual cost of \$5,000 per item, was increased during the fiscal year by \$603,436 offset by write offs amounting to \$662,570 for disposal of equipment. See Note 5 for further detail of the capital assets.

Economic Outlook

There are no known conditions that will significantly affect the economic outlook for the University. The University recognized an increase in undergraduate headcount enrollment of 5% from the 2004-2005 fiscal year to the 2005-2006 fiscal year. The University anticipates a minimum undergraduate headcount enrollment increase of 5% in fiscal year 2007. Beginning in the Fall 2006 term the University will open 6 new student facility buildings, housing approximately 400 students. The remaining 7 facilities, housing 355 students, will be ready for occupancy in Spring 2007. For fiscal year 2006-2007 the University implemented a Board approved increase in fees of 12.3% and 7.8% for undergraduates and graduates, respectively. There was also a housing fee increase of 5% and a meal plan increase of 3% imposed for the upcoming year. The University still faces significant deferred maintenance issues on the campus. The revenue derived from the increases will be used to assist in the facilities deferred maintenance issues on the campus and to offset inflation. With no anticipated base appropriation increase, the expectation of the State Legislature not issuing new Capital Improvement Bonds in the upcoming year, and rising costs of utilities and building materials, the University is taking a cautious approach to spending in order to continue to fund deferred maintenance problems on the campus and enhance the academics at the University.

The University will go live with the finance module of the new Banner administrative system on July 1, 2006. The remainder of the Banner modules (human resources, student) will go live over the following 18 months. With the new system the University anticipates being able to enhance the production of requested reports and schedules and to obtain data in a quicker fashion allowing for heightened decision-making capabilities.

SOUTH CAROLINA STATE UNIVERSITY
STATEMENT OF NET ASSETS
For the Year Ended June 30, 2006

ASSETS

Current Assets

Cash and cash equivalents	\$	5,726,888
Accounts receivable (net of allowance for bad debts \$ 1,801,308)		2,036,602
Federal grants receivable		6,144,684
State grants receivable		275,085
Private receivables		41,281
Other receivables		763,023
Prepaid items		189,473
Total Current Assets		<u>15,177,036</u>

Non-Current Assets

Restricted cash and cash equivalents		10,906,571
Student loans receivable (net of allowance for bad debts \$ 442,141)		3,494,286
Private receivables		65,087
Investments		104,394
Land		2,288,598
Buildings and improvements		75,186,890
Machinery, equipment, and vehicles		8,971,146
Accumulated depreciation		(44,989,238)
Construction in progress		28,415,916
Note issue costs (net of amortization \$ 56,250)		629,899
Total Non-Current Assets		<u>85,073,549</u>

Total Assets

100,250,585

LIABILITIES

Current Liabilities

Accounts payable and accrued expenses		5,928,171
Accrued payroll and related liabilities		1,870,899
Deferred and unearned student revenue		2,267,393
Student deposits		268,198
Compensated absences payable		1,372,878
Deposits held for others		55,708
Accrued interest payable		388,747
Retainage payable		1,874,466
Notes and bonds payable		692,360
Total Current Liabilities		<u>14,718,820</u>

Non-Current Liabilities

Compensated absences payable		1,620,282
Notes and bonds payable		25,956,032
Federal loan fund contributions		1,853,422
Total Non-Current Liabilities		<u>29,429,736</u>

Total Liabilities

44,148,556

NET ASSETS

Invested in capital assets, net of related debt		43,854,819
Restricted for:		
Nonexpendable:		
Endowed professorships		868,477
Expendable:		
Grants and contracts		7,796
Student loans		2,119,937
Debt service and capital projects		4,032,887
Unrestricted		5,218,113
Total Net Assets	\$	<u>56,102,029</u>

See Accompanying Notes to Financial Statements

SOUTH CAROLINA STATE UNIVERSITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended June 30, 2006

OPERATING REVENUES:

Student tuition and fees (net of scholarship allowance of \$7,607,858)	\$ 24,964,972
Federal grants and contracts	26,590,440
State grants and contracts	5,328,484
Non-governmental grants and contracts	362,357
Sales and services of educational departments and other activities	397,831
Sales and services of auxiliary enterprises (net of scholarship allowance of \$3,412,771)	9,679,719
Other operating revenues pledged for revenue bonds	2,275,878
Other operating revenues	1,388,252
Total operating revenues	<u>70,987,933</u>

OPERATING EXPENSES:

Salaries and wages	41,744,373
Fringe benefits	10,770,055
Services, supplies, and others	32,964,549
Utilities	3,942,948
Scholarship	9,251,971
Depreciation	1,747,984
Total Operating Expenses	<u>100,421,880</u>
Operating (Loss)	<u>(29,433,947)</u>

NONOPERATING REVENUES (EXPENSES)

State appropriations	27,216,448
State grants	3,715,691
Interest and other investment income	340,829
Interest and other fees on capital assets and related debt	(309,868)
Loss on disposal of assets	(19,011)
Remittances to the State	(201,206)
Other non-operating	118,608
Net Non-operating Revenue	<u>30,861,491</u>

Income before other revenues, expenses, gains or losses 1,427,544

Capital grants and gifts	602,029
Increase in net assets	<u>\$ 2,029,573</u>

Net Assets - Beginning of Year	54,072,456
Net Assets - End of Year	<u>\$ 56,102,029</u>

See Accompanying Notes to Financial Statements

SOUTH CAROLINA STATE UNIVERSITY
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2006

Cash Flow From Operating Activities

Tuition and fees	\$ 26,732,982
Federal Grants and contracts	28,257,506
State Grants and contracts	5,115,877
Other Grants and contracts	421,114
Sales and services of education and other activities	397,831
Sales and services of auxiliary and enterprises	9,679,719
Other operating revenues	3,482,468
Payments to employees for salaries and benefits	(51,701,584)
Payments to suppliers	(30,974,396)
Payments for utilities	(3,942,948)
Payments to students for scholarships and fellowships	(9,251,971)
Loans issued to students	(526,351)
Collection of loans to students	432,511
Funds held for others	5,004
Other	53,399
Net Cash Provided (Used) By Operating Activities	\$ (21,818,839)

Cash Flows From Non-Capital Financing Activities

State appropriations	\$ 27,216,448
State Grants and contracts	3,715,691
Indirect cost transfer remittered to the State	(201,206)
Net Cash Provided (Used) by Non-Capital Financing Activities	\$ 30,730,933

Cash Flows From Capital Debt and Related Financing Activities

Proceeds from federal/donated capital projects	\$ 602,029
Purchases of capital assets	(19,101,859)
Proceeds from note	15,904,868
Principal paid on capital debt and issuance costs	(463,566)
Interest paid on capital related debt	(300,324)
Net Cash Provided (Used) by Capital Debt and Related Financing Activities	\$ (3,358,852)

Cash Flows From Investing Activities

Interest on investments	\$ 340,751
Net Cash Provided (Used) by Investing Activities	\$ 340,751

Net change in cash	\$ 5,893,993
Cash and cash equivalents - Beginning of the Year	10,739,466
Cash and Cash Equivalents - End of the Year	\$ 16,633,459

Reconciliation of Net Operating Revenue (Expenses) to Net Cash Provided (Used) By Operating Activities

Operating income (loss)	\$ (29,433,947)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities	
Depreciation expense	1,747,984
Loan Amortization expense	56,520

Changes in assets and liabilities:

Accounts receivable, net	2,740,528
Allowance for doubtful accounts	(302,162)
Grants / other receivable	1,455,838
Inventories	513,279
Student loan receivable	(101,674)
Prepaid expenses	118,150
Accounts payable and accrued expenses	1,108,724
Accrued compensated absences and related liabilities	812,844
Deferred revenue	(662,522)
Student and other deposits	9,233
Other	118,366

Net Cash Provided (Used) by Operating Activities	\$ (21,818,839)
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Reconciliation of Cash and Cash Equivalent Balances:

Current Assets:	
Cash and cash equivalents	\$ 5,726,888
Non-current Assets:	
Restricted cash and equivalents	10,906,571
Total Cash and Cash Equivalents	\$ 16,633,459

See Accompanying Notes to Financial Statements

SOUTH CAROLINA STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 2005

ASSETS

Cash and cash equivalents	\$ 872,655
Investments	763,860
Accounts receivable	54,364
Unconditional promises to give	11,232
Interest receivable	9,147
Cash value of life insurance	8,437
Investments restricted for long term purposes	67,973
Endowment investments	1,877,983
Endowment receivable	387,595
Art collections	224,015
Land	23,700
	<hr/>
Total assets	\$ 4,300,961
	<hr/>

LIABILITIES AND NET ASSETS

Liabilities:

Accounts payable	\$ 73,362
Payroll taxes payable	834
Due to South Carolina State University	86,068
	<hr/>
Total liabilities	160,264
	<hr/>

Net assets:

Unrestricted:	
Operating	294,530
Invested in land	23,700
	<hr/>
Total unrestricted	318,230
Temporarily restricted	1,556,889
Permanently restricted	2,265,578
	<hr/>
Total net assets	4,140,697
	<hr/>
Total liabilities and net assets	\$ 4,300,961
	<hr/>

The Accompanying Notes are an Integral Part of this Statement

SOUTH CAROLINA STATE UNIVERSITY FOUNDATION, INC.
STATEMENT OF ACTIVITIES
FOR THE SIX MONTHS ENDED DECEMBER 31, 2005

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Public Support, Revenues, and Reclassifications				
Contributions	\$ 71,658	\$ 553,915	\$ 549,644	\$ 1,175,217
Investment income	36,702	25,609	-	62,311
Unrealized gains	76,906	-	-	76,906
Net assets released from restrictions:	-	-	-	-
Released by donors	14,000	12,952	(26,952)	-
Satisfaction of purpose restrictions	567,645	(567,645)	-	-
Total public support, revenues, and reclassifications	766,911	24,831	522,692	1,314,434
Expenses				
Programs.				
Scholarships	81,091	-	-	81,091
Educational programs and development	446,665	-	-	446,665
Total programs	527,756	-	-	527,756
Administration	140,878	-	-	140,878
Fund-raising	19,141	-	-	19,141
Total expenses	687,775	-	-	687,775
	79,136	24,831	522,692	626,659
Change in net assets				
Net assets at beginning of year	239,094	1,532,058	1,742,886	3,514,038
Net assets at end of year	\$ 318,230	\$ 1,556,889	2,265,578	\$ 4,140,697

The Accompanying Notes are an Integral Part of this Statement.

SOUTH CAROLINA STATE UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30 2006

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

South Carolina State University (the University) is a State-supported coeducational institution of higher education. The University serves local, regional, state, national, and international communities by providing academic instruction, conducting research and other activities that advance fundamental knowledge, and by disseminating knowledge to the public.

Reporting Entity

The financial reporting entity, as defined by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, was issued in May 2002, and provides additional guidance concerning the inclusion of related party financial information as a part of the reporting entity. The accompanying financial statements present only that portion of the funds of the State of South Carolina that is attributable to the transactions of the University and its component unit.

South Carolina State University Foundation, Inc. (Foundation) is a legally separate, tax-exempt component unit of the University. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the University in support of its programs. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University, and is discretely presented in the University's financial statements. Copies of the separately issued financial statements of the Foundation can be obtained by sending a request to South Carolina University Foundation, Post Office Box 7157, Orangeburg, South Carolina 29501.

The University is part of the primary government of the State of South Carolina.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when an obligation has been incurred. Student tuition and auxiliary enterprise fees are presented net of scholarships and fellowships applied to student accounts, while stipends and other payments made directly to students are presented as scholarship and fellowship expenses. All significant intra-agency transactions have been eliminated.

The University has elected not to apply Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989.

The Foundation is a private nonprofit organization that reports under FASB, including FASB Statement No.s 116 and 117, *Financial Statements of Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the University's financial reporting entity for these differences. The Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Cash and Cash Equivalents

For purposes of the financial statements, the University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Funds invested through the State of South Carolina State Treasurer's Office are considered cash equivalents.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Investments

The University accounts for its investments at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in unrealized gain (loss) on the carrying value of investments are reported as a component of investment income in the Statement of Revenues, Expenses and Changes in Net Assets.

The Foundation Investment securities and donated negotiable assets are stated at market value. Investment income is reported net of investment fees and service charges.

Accounts Receivable

Accounts receivable consists of tuition and fees charged to students, and auxiliary enterprise sales and services provided to students, faculty and staff. Accounts receivable also include amounts due from the Federal government, state and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to the University's grants and contracts and for reimbursements of other expenses. Accounts receivable are recorded net of estimated uncollectible amounts.

Capital Assets

Capital assets are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts. The University follows capitalization guidelines established by the State of South Carolina. All land is capitalized, regardless of cost. Qualifying improvements that rest in or on the land itself are recorded as depreciable land improvements. Major additions and renovations and other improvements that add to the usable space, prepare existing buildings for new uses, or extend the useful life of an existing building are capitalized. The University capitalizes movable personal property with a unit value in excess of \$5,000 and a useful life in excess of two years and depreciable land improvements, buildings and improvements, and intangible assets costing in excess of \$100,000. Routine repairs and maintenance and library materials, except individual items costing in excess of \$5,000, are charged to operating expenses in the year in which the expense was incurred.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 50 years for buildings and improvements and land improvements, and 2 to 25 years for machinery, equipment, and vehicles. Depreciation is calculated based on the number of months the item is in use during the year.

The University capitalizes as a component of construction in progress interest costs in excess of earnings on debt associated with the capital projects; therefore asset values in capital assets include such interest costs. Capitalized interest for fiscal year 2006 was \$309,252.

Deferred Revenues

Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

Compensated Absences and Related Benefits

Employee vacation pay expense is accrued at year-end for financial statement purposes. The liability and expense incurred are recorded at year-end as accrued compensated absences and related benefits in the Statement of Net Assets, and as components of compensation and benefit expenses in the Statement of Revenues, Expenses, and Changes in Net Assets.

Perkins Loans Receivable and Related Liability

Some of the loans receivable on the Statement of Net Assets are due to the University under the Perkins loan program. This program is funded primarily by the federal government with the University providing a required match. The amount reported as Perkins liability is the amount of cumulative federal contributions and a pro-rata share of net earnings on the loans under this program that would have to be repaid to the federal government if the University ceases to participate in the program. The University recognizes as revenue and expenses only the portion attributable to its matching contribution.

Net Assets

The University's net assets are classified as follows:

Invested in capital assets, net of related debt: This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. To the extent debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of invested in capital assets, net of related debt.

Restricted net assets - expendable: Restricted expendable net assets include resources in which the University is legally or contractually obligated to spend in accordance with restrictions imposed by external third parties.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Restricted net assets - nonexpendable: Nonexpendable restricted net assets consist of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.

Unrestricted net assets: Unrestricted net assets represent resources derived from student tuition and fees, appropriations, and sales and services of educational departments and auxiliary enterprises. These resources may be used at the discretion of the governing board to meet current expenses. These resources also include auxiliary enterprises, which are substantially self-supporting activities that provide services for students, faculty and staff.

The University's policy for applying expenses that can use both restricted and unrestricted resources is delegated to the departmental administrative level. General practice is to first apply the expense to restricted resources then to unrestricted resources.

Income Taxes

The University, as a political subdivision of the State of South Carolina, is excluded from Federal income taxes under Section 115(a) of the Internal Revenue Code, as amended.

The Foundation is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code and is exempt from taxes under Section 501(c) (3).

Classification of Revenues and Expenses

The University has classified its revenues and expenses as either operating or non-operating according to the following criteria:

Operating revenues and expenses: Operating revenues generally result from exchange transactions to provide goods or services related to the University's principal on-going operations. These revenues include (1) student tuition and fees received in exchange for providing educational services, housing, and other related services to students; (2) receipts for scholarships where the provider has identified the student recipients; (3) fees received from organizations and individuals in exchange for miscellaneous goods and services provided by the University; and (4) grants and contracts that are essentially the same as contracts for services that finance programs the University would not otherwise undertake. Operating expenses include all expenses transactions incurred other than those related to investing capital or non-capital financing activities.

Non-operating revenues and expenses: Non-operating revenues include activities that have the characteristics of non-exchange transactions. These revenues include gifts and contributions, appropriations, investment income, and any grants and contracts that are not classified as operating revenue, or restricted by the grantor to be used exclusively for capital purposes. Non-operating expenses include interest paid on capital asset related debt, losses on disposal of capital assets, and refunds to grantor.

Sales and Services of Educational Departments and Other Activities

Revenues from sales and services of educational departments and other activities generally consist of amounts received from instructional, laboratory, research, and public service activities that incidentally create goods and services which may be sold to students, faculty, staff, and the general public. The University receives such revenues primarily from community groups using campus facilities for summer camps and other activities.

Auxiliary Enterprises and Internal Service Activities

Auxiliary enterprise revenues are primarily generated by the bookstore, dining services, Brooks Health Center, and housing. Transactions between the University and its auxiliary enterprise activities and its internal service department have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenditures and affect disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Donor Restricted Assets

The University policy for the treatment of net appreciation (depreciation) on investments of donor restricted endowments increases or decreases the principal. These amounts are not authorized for expenditure.

NOTE 2 - DEPOSITS AND INVESTMENTS

All deposits and investments of the University are under the control of the State Treasurer who, by law, has sole authority of investing State funds. The following schedule reconciles deposits and investments within the notes to the statement of net assets:

Statement of Net Assets		
	South Carolina State Univ.	South Carolina State Univ. Foundation, Inc.
Cash and cash equivalents (current)	\$ 5,726,888	\$ 872,655
Restricted cash and cash equivalents:		
Loan funds	497,819	-
Cash for capital project	9,725,652	-
Endowment	683,100	-
Restricted cash and cash equivalents	10,906,571	-
Investments:		
Investments	104,394	763,860
Endowment Investments	-	1,877,983
Restricted Investments	-	67,973
Investments	104,394	2,709,816
Total	\$ 16,737,853	\$ 3,582,471

Deposits

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, The University's deposits may not be returned to it. For deposits held by the State Treasurer, State law requires full collateralization of all State Treasurer bank balances. The State Treasurer must correct any deficiencies in collateral within seven days. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's deposits is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

With respect to investments in the State's internal cash management pool, all of the State Treasurer's investments are insured or registered or are investments for which the securities are held by the State or its agents in the State's name. Information pertaining to the reported amounts, fair values, and credit risk of the State Treasurer's investments is disclosed in the Comprehensive Annual Financial Report of the State of South Carolina.

Other Deposits

The University's and the South Carolina State University Foundation, Inc.'s other deposits are entirely insured or collateralized with securities held by the entity or by its agent in the entities name, or collateralized with securities held by the pledging financial institution's Trust Department or Agent in the entity's name.

At June 30, 2006, The University had investments and maturities as shown below:

Investment Type	Fair Value	Maturity
Common Stock	8,494	
Series 1984 Agricultural College Stock	95,900	2035
	<u>\$ 104,394</u>	

Investments Held by State Treasurer

These investments consist of Series 1984 Agricultural College stock with a carrying amount of \$95,900 held by the State Treasurer until they mature in 2035. While outstanding, the State is required to pay the University 6 percent per year.

The investment types listed above include all investment types in which monies were held throughout the fiscal year and the balances therein fluctuated minimally in excess of the fiscal year-end balances.

NOTE 2 - DEPOSITS AND INVESTMENTS – CONTINUED

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Concentration of Credit Risk: Concentration of credit risk is the risk of loss attributed to the magnitude of the University investment in a single issuer. The University does not have a formal investment policy that requires investments to be spread among more than a single issuer.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal policy for handling investment custodial risk.

Investments-Non Governmental Discretely Presented Component Units

The South Carolina State University Foundation, Inc.

Investment earnings in pooled or common investments in which multiple funds are invested are allocated among the funds in a proportion of each funds beginning fair value total

At December 31, 2005, South Carolina State University Foundation, Inc.'s investments are as follows:

Investments carried at fair value	Cost	Fair Value
Equity Funds and individual securities	\$ 1,489,207	\$ 1,882,126
Fixed income funds and individual debt securities	837,730	827,690
Total investments carried at fair value	<u>\$ 2,326,937</u>	<u>\$ 2,709,816</u>

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2006, are summarized as follows:

Tuition and fees	\$ 2,791,351
Less allowance for doubtful accounts	(1,300,806)
Auxiliary enterprises	1,046,559
Less allowance for doubtful accounts	<u>(500,502)</u>
Net accounts receivable	<u>\$ 2,036,602</u>

The amounts shown above are reported at gross with all discounts and allowances disclosed.

There was no payment of the restitution receivable during this year. However a judgment has been obtained to recoup the receivable against the employee's state retirement account.

Allowances for doubtful accounts for student accounts receivable are established based upon actual losses experienced in prior years and evaluations of the current account portfolio. At June 30, 2006, the allowance for uncollectible student accounts is valued at \$1,801,308.

NOTE 4 – LOANS RECEIVABLE

Loans receivable at June 30, 2006 consist of the following:

Perkins Loan Program	\$	1,664,220
Student Emergency Loan Fund		2,022
African American Loan Fund		1,132,397
Education Improvement Act		1,123,261
Other		14,527
Less allowance for doubtful accounts		(442,141)
Net Loans Receivable	\$	<u>3,494,286</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2006 is summarized as follows:

	Beginning Balance July 1, 2005	Increases	Decreases	Ending Balance June 30, 2006
Capital assets not being depreciated:				
Land and improvements	\$ 2,071,008	\$ 217,590	\$ -	\$ 2,288,598
Construction in-progress	6,558,187	21,857,729	-	28,415,916
Total capital assets not being depreciated	<u>8,629,195</u>	<u>22,075,319</u>	<u>-</u>	<u>30,704,514</u>
Other capital assets:				
Buildings and improvements	75,040,219	146,671	-	75,186,890
Machinery, equipment, and other	7,738,771	603,436	(662,570)	7,679,637
Vehicles	1,396,467	39,620	(144,578)	1,291,509
Total other capital assets at historical cost	<u>84,175,457</u>	<u>789,727</u>	<u>(807,148)</u>	<u>84,158,036</u>
Less accumulated depreciation for:				
Buildings and improvements	(37,257,162)	(1,184,643)	-	(38,441,805)
Machinery, equipment, and other	(6,055,081)	(413,247)	645,151	(5,823,177)
Vehicles	(717,148)	(150,094)	142,986	(724,256)
Total accumulated depreciation	<u>(44,029,391)</u>	<u>(1,747,984)</u>	<u>788,137</u>	<u>(44,989,238)</u>
Other capital assets, net of accumulated depreciation	<u>40,146,066</u>	<u>(958,257)</u>	<u>(19,011)</u>	<u>39,168,798</u>
Capital assets, net of accumulated depreciation	<u>\$ 48,775,261</u>	<u>\$ 21,117,062</u>	<u>\$ (19,011)</u>	<u>\$ 69,873,312</u>

NOTE 6 - PENSION PLAN

The Retirement Division of the State Budget and Control Board maintains four independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the Retirement Division, 202 Arbor Lake Drive, Columbia, South Carolina 29223. Furthermore, the Division and the four pension plans are included in the CAFR of the State of South Carolina.

Article X, Section 16, of the South Carolina Constitution requires that all State-operated retirement systems be funded on a sound actuarial basis. Title 9 of the South Carolina Code of Laws of 1976, as amended, prescribes requirements relating to membership, benefits, and employee/employer contributions for each pension plan. Employee and employer contribution rates for the South Carolina Retirement System and the Police Officers Retirement System are actuarially determined. Annual benefits, payable monthly for life, are based on length of service and on average final compensation.

The majority of employees of the University are covered by a retirement plan through the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division, a public employee retirement system. Generally all State employees are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws. This plan provides retirement annuity benefits as well as disability, cost of living adjustment, death, and group-life insurance benefits to eligible employees and retirees.

Since July 1, 1988, employees participating in the SCRS have been required to contribute 6.0 percent of all compensation. Effective July 1, 2004, the employer contribution rate became 10.80 percent which included a 3.25 percent surcharge to fund retiree health and dental insurance coverage. The University's actual contributions to the SCRS for the three most recent fiscal years ended June 30, 2006, 2005, and 2004, were approximately \$2,176,691, \$2,138,000 and \$2,047,000, respectively, and equaled the required contributions of 7.55 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of approximately \$43,245 in the current fiscal year at the rate of .15 percent of compensation.

The South Carolina Police Officers Retirement System (PORS) is a cost-sharing multiple-employer defined benefit public employee retirement plan administered by the Retirement Division. Generally all full-time employees whose principal duties are the preservation of public order or the protection or prevention and control of property destruction by fire are required to participate in and contribute to the System as a condition of employment. This plan provides annuity benefits as well as disability and group-life insurance benefits to eligible employees and retirees. In addition, participating employers in the PORS contribute to the accidental death fund which provides annuity benefits to beneficiaries of police officers and firemen killed in the actual performance of their duties. These benefits are independent of any other retirement benefits available to the beneficiary.

Since July 1, 1988, employees participating in the PORS have been required to contribute 6.5 percent of all compensation. Effective July 1, 2004, the employer contribution rate became 13.55 percent which, as for the SCRS, included the 3.25 percent surcharge. The University's actual contributions to the PORS for the years ended June 30, 2006, 2005 and 2004 were approximately \$71,392, \$62,204 and \$51,000, respectively, and equaled the required contributions of 10.3 percent (excluding the surcharge) for each year. Also, the University paid employer group-life insurance contributions of approximately \$1,386 and accidental death insurance contributions of approximately \$1,386 in the current fiscal year for PORS participants. The rate for each of these insurance benefits is .20 percent of compensation.

Certain State employees may elect to participate in the Optional Retirement Program (ORP), a defined contribution plan. The ORP was established in 1987 under Title 9, Chapter 17, of the South Carolina Code of Laws. The ORP provides retirement and death benefits through the purchase of individual fixed or variable annuity contracts which are issued to, and become the property of, the participants. The State assumes no liability for this plan other than for payment of contributions to designated insurance companies.

ORP participation is limited to faculty and administrative staff of the State's higher education institutions who meet all eligibility requirements for membership in the SCRS. To elect participation in the ORP, eligible employees must irrevocably waive SCRS membership within their first ninety days of employment.

Under State law, contributions to the ORP are required at the same rates as for the SCRS, 7.55 percent plus the retiree surcharge of 3.25 percent from the employer in fiscal year 2006.

Certain of the University's employees have elected to be covered under optional retirement plans. For the fiscal year, total contribution requirements to the ORP were approximately \$298,481 (excluding the surcharge) from the University as employer and approximately \$373,071 from its employees as plan members. 5.8 percent of the total contributions was remitted to the Retirement Division of the State Budget and Control Board. The balance was remitted directly to the respective annuity policy providers. The obligation for payment of benefits resides with the insurance companies.

NOTE 6 - PENSION PLAN – CONTINUED

Also, the University paid employer group-life insurance contributions of approximately \$8,954 in the current fiscal year at the rate of .15 percent of compensation.

Several optional deferred compensation plans are available to State employees and employers of its political subdivisions. Certain employees of the University have elected to participate. The multiple-employer plans, created under Internal Revenue Code Sections 457, 401(k), and 403(b), are administered by third parties and are not included in the Comprehensive Annual Financial Report of the State of South Carolina. Compensation deferred under the plans is placed in trust for the contributing employee. The State has no liability for losses under the plans.

Employees may withdraw the current value of their contributions when they terminate State employment. Employees may also withdraw contributions prior to termination if they meet requirements specified by the applicable plan.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years. Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not make SCRS contributions, do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits.

In accordance with the South Carolina Code of Laws and the annual Appropriation Act, the State of South Carolina provides certain health care, dental, and life insurance benefits to certain active and retired State employees and certain surviving dependents of retirees. All permanent full-time and certain permanent part-time employees of the University are eligible to receive these benefits. The State provides post-employment health and dental benefits to employees who retire from State service or who terminated with at least 20 years of State service who meet one or more of the eligibility requirements, such as age, length of service, and hire date. Generally those who retire must have at least 10 years of retirement service credit to qualify for these State-funded benefits. Benefits are effective at date of retirement when the employee is eligible for retirement benefits.

NOTE 7 - POSTEMPLOYMENT AND OTHER EMPLOYEE BENEFITS

These benefits are provided through annual appropriations by the General Assembly to the University for its active employees and to the State Budget and Control Board for all participating State retirees except the portions funded through the pension surcharge and provided from other applicable fund sources of the University for its active employees who are not funded by State General Fund appropriations. The State finances health and dental plan benefits on a pay-as-you-go basis. Approximately 21,400 retirees met these requirements as of June 30, 2006.

The University recorded compensation and benefit expenses for these insurance benefits for active employees in the amount of approximately \$2,656,211 for the year ended June 30, 2006. As discussed in Note 6, the University paid approximately \$1,153,720 applicable to the 3.25 percent surcharge included with the employer contributions for retirement benefits. These amounts were remitted to the South Carolina Retirement Systems for distribution to the Office of Insurance Services for retiree health and dental insurance benefits.

Information regarding the cost of insurance benefits applicable to University retirees is not available. By State law, the University has no liability for retirement benefits. Accordingly, the cost of providing these benefits for retirees is not included in the accompanying financial statements.

In addition, the State General Assembly periodically directs the Retirement Systems to pay supplemental (cost of living) increases to retirees. Such increases are primarily funded from Systems' earnings; however, a portion of the required amount is appropriated from the State General Fund annually for the SCRS and PORS benefits.

NOTE 8 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS

The University is a party to various lawsuits arising out of the normal conduct of its operations. In the opinion of University management, there are no material claims or lawsuits against the University that are not covered by insurance or whose settlement would materially affect the University's financial position except as noted in the following paragraph.

NOTE 8 - CONTINGENCIES, LITIGATION, AND PROJECT COMMITMENTS - CONTINUED

The University participates in certain Federal grant programs. These programs are subject to financial and compliance audits by the grantor or its representative. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. Management believes disallowances, if any, will not be material.

The University had outstanding commitments under construction contracts of approximately \$16,679,567 on projects that will be capitalized, and \$1,037,467 which will not be capitalized at June 30, 2006. The University anticipates funding these projects out of current resources, private gifts, student fees and State capital improvement bond proceeds. The State has issued capital improvement bonds to fund improvements and expansion of state facilities. The University is not obligated to repay these funds to the State. Authorized funds can be requested as needed once State authorities have given approval to begin specific projects and project expenditures have been incurred. The University has \$9,231,278 of undrawn State capital improvement bonds.

The University is contingently liable, under the Capital Project Loan Agreement described in Note 10, for a portion of certain notes payable of other Historically Black Colleges and Universities (HBCU) under the HBCU Capital Financing program. The liability is limited to five percent of the cumulative advances under the Capital Project Loan Agreement. The contingent liability is secured by the South Carolina State University Escrow Account, also described in Note 10. At June 30, 2006 the maximum liability was \$1,053,522. As of June 30, 2006 total charges of \$36,075 have been made against the Escrow Account pursuant to the default of another borrower in the HBCU Capital Finance Program.

During fiscal year 2006 Xerox Corporation filed a contract dispute with the South Carolina State Procurement Office against the University for early contract termination. Xerox Corporation is asking for payment of approximately \$1,000,000 for costs incurred as a result of the contract cancellation. A mediation hearing was held on August 30, 2006 at which time the matter was not settled. Because the matter was not settled it will likely go to a Circuit Court hearing. The University is vigorously contesting this dispute and University management does not expect to incur any loss as a result of the contract dispute. As a result, the financial statements do not include any liability in regards to the matter.

NOTE 9 - LEASE OBLIGATIONS

Future commitments for operating leases with remaining terms more than one year as of June 30, 2006 are as follows:

	Year ending June 30,	Operating Leases
	2007	\$ 70,215
	2008	7,324
Total Minimum Lease Payments		<u>\$ 77,539</u>

Operating Leases

The University's non-cancelable operating leases are primarily for the use of computer equipment which expires in fiscal years 2006 through 2008. All leases are with external parties. In the normal course of business, operating leases are generally renewed or replaced by other leases and are generally payable on a monthly basis. Through December 2005 the University was under an operating lease agreement with Xerox Corporation. The University paid monthly base charges plus an additional charge per copy for excess usage. Effective January 1, 2006 the University entered into an agreement under the South Carolina State Copier contract with Lanier Worldwide Incorporated. The State copier contract is on a per copy basis and does not meet the definition of a lease. Hence no future lease obligations for this agreement are reflected in the future commitment schedule above.

Total rental payments under operating leases were approximately \$883,446 for fiscal year 2006. Approximately \$25,976 of the \$883,446 was for contingent rental.

NOTE 10 - BONDS PAYABLE & NOTES PAYABLE

Bonds payable consisted of the following at June 30, 2006:

	Interest Rates	Maturity Dates	Balance
Stadium Improvement Revenue Bonds, Series 1993A	4.55- 5.5%	2006-2013	\$ 1,405,000
State Institution Bonds, Series 2003G	3.0 - 5.0%	2006-2023	3,620,000
Total Bonds Payable			5,025,000
Note Payable Part 1	3.679%	2005-2012	2,517,510
Note Payable Part 2	5.830%	2005-2035	19,105,882
Total Note Payable			21,623,392
Total Bonds and Note Payable			26,648,392
Current			692,360
Non-Current			\$ 25,956,032

Revenue received for dormitory and married student housing and any loan subsidies is restricted, up to the amount of annual debt requirements, for the payment of principal and interest on student and faculty housing revenue bonds. All stadium revenue, which includes admission fees, is restricted, up to the amount of annual debt requirements, for the payment of principal and interest on stadium improvement revenue bonds.

For the stadium improvement revenue bonds, the University must maintain its admission fees at an amount necessary to maintain certain specified funding requirements.

The University is required to establish debt reserve funds for the purpose of repaying the student and faculty housing revenue bonds and stadium improvement revenue bonds. In lieu of cash and investments on deposit, the University has purchased a surety bond for each of the revenue bond issues, which will satisfy the debt service requirements upon notice that there are insufficient funds to do so. Repayment of the principal and interest is guaranteed by the Municipal Bond Investors Assurance Corporation pursuant to its insurance policies through final maturity for each of these bonds.

The stadium improvement revenue bonds are subject to redemption prior to their maturity, at the option of the University, on or after January 1, 2006, in whole at any time or in part on any January 1 or July 1, upon thirty (30) days notice, at par. The student and faculty housing revenue bonds are subject to redemption prior to their maturity, at the option of the University, in whole at any time or in part on any June 1 or December 1, upon thirty (30) days notice, at par. As of fiscal year-end, none of these bonds have been called for redemption.

All of these bonds are payable in semiannual installments plus interest.

Scheduled amounts including interest required to complete payment of the stadium improvement revenue bonds as of June 30, 2006 are as follows:

Year Ending June 30	Principal	Interest	Totals
2007	\$ 170,000	\$ 73,885	\$ 243,885
2008	180,000	65,640	245,640
2009	190,000	56,640	246,640
2010	200,000	46,855	246,855
2011	210,000	36,255	246,255
2012—2013	455,000	37,840	492,840
Totals	\$ 1,405,000	\$ 317,115	\$ 1,722,115

NOTE 10 - BONDS PAYABLE & NOTES PAYABLE – CONTINUED

The State Institution Bonds maturing on and after June 1, 2014 are subject to redemption in whole or if in part on June 1, 2013 and all subsequent payment dates in inverse chronological order of maturity, at the option of the State of South Carolina, at the following redemption prices: June 1, 2013 and December 1, 2013 at 101 percent; June 1, 2014 and thereafter at par. S.C. Code of Laws section 59-107-90 states that the maximum amount of annual debt service on state institution bonds for each institution shall not exceed 90 percent of sums received from tuition and fees for the preceding fiscal year. Tuition fee revenue for June 30, 2005 was \$1,070,367, which results in a legal debt limit of \$963,330. The University's maximum annual debt service requirement of \$303,000 will occur during the fiscal year ending June 30, 2016.

Scheduled amounts including interest required to complete payment of the State Institutional bonds as of June 30, 2006 are as follows:

Year Ending June 30	Principal	Interest	Total
2007	\$ 140,000	\$ 130,806	\$ 270,806
2008	150,000	123,806	273,806
2009	155,000	119,306	274,306
2010	160,000	114,656	274,656
2011	170,000	109,856	279,856
2012—2016	990,000	464,358	1,454,358
2017—2021	1,260,000	272,706	1,532,706
2022—2024	595,000	36,763	631,763
Totals	<u>\$ 3,620,000</u>	<u>\$ 1,372,257</u>	<u>\$ 4,992,257</u>

The University reported principal retirements and interest expense related to the bonds payable for the year ended June 30, 2006 as follows:

Bond Type	Principal	Interest
Student and Faculty Housing Revenue	\$ 168,566	\$ 98,326
Stadium Improvement Revenue	165,000	74,236
State Institution	130,000	137,306
	<u>\$ 463,566</u>	<u>\$ 309,868</u>

In the prior year, the University entered into the Capital Project Loan Agreement (the "Agreement") with Commerce Capital Access Program Corporation (the "Lender") under the HBCU Capital Financing Program. The purpose of the agreement is to provide funds to refund the 1991 Student and Faculty Housing Revenue Bonds amounting to \$2,480,000 and to provide funds for construction of a 750 bed student housing facility. The funds for this loan will be provided from the proceeds of two tax-exempt bonds issues made by the lender. The total amount of the loan, \$39,499,549 will be provided in two parts. The first part, amounting to \$2,686,076, was provided to refund the revenue bonds and make deposits into required reserve and escrow accounts. This part will be repaid in semi-annual installments of \$235,765 beginning in 2006 and ending in 2012. The second part, amounting to \$36,813,473 will be advanced as construction of the 750 bed student housing facility progresses. This part will be repaid in semi-annual installments of approximately \$1,116,354 beginning in 2008 and ending in 2035. Repayments of principal and interest of the two parts is based on the amortization of the two underlying tax-exempt bonds issued by the lender. Accordingly the schedules of future maturities disclosed below estimate the payments of principal and interest necessary to provide for the retirement of the underlying tax-exempt bonds as they come due. The loan under the Agreement is secured by the revenues from the housing facility.

The Agreement requires the establishment of the South Carolina State University Escrow Account (the "Escrow Account"), into which, a deposit, amounting to five percent of each advance under the Agreement, inclusive of deposit, will be made from each advance under the Agreement. The University has assigned all of its rights and interests to the Escrow account to the Trustee for the Lender. The use of the Escrow funds are governed, in part, by a trust indenture which provides for claims against the Escrow Account for a share of defaulted loans of other borrowers participating in the HBCU Capital Financing Program (see Note 8). The Agreement also requires the establishment of the South Carolina State University Debt Service Account. Monthly deposits into this account are required to be sufficient to accumulate the total principal and interest payment due under the Agreement 60 days prior to the semi-annual due date of each payment. The loan also requires a Replacement Reserve to be established at the time the housing facility is placed in service. Gross revenues from the housing facility are to be held in a separate account by the Treasurer of the State of South Carolina and used only to pay expenses of the housing facility and make the required deposits into the Debt Service Account and Replacement Reserve account, as well as replenish any deficiency in the Escrow Account. The balances of these accounts are included in restricted assets at June 30, 2006.

NOTE 10 - BONDS PAYABLE & NOTES PAYABLE – CONTINUED

There was a total issuance cost incurred in the amount of \$686,419. The University will amortize \$43,878 of issuance costs over seven years, the life of the Note Part 1. The remaining issuance cost will be amortized over 30 years, the life of the Note Part 2.

The Agreement contains various performance covenants and limits the incurrence of new debt by the University. Certain of the covenants require the submission of financial and enrollment information within specified time periods. The University failed to meet these covenants during the year ended June 30, 2006. However, the lender has granted a waiver for the violations.

Part 1

	Principal	Interest	Totals
2007	\$ 382,360	\$ 89,170	\$ 471,530
2008	395,899	75,631	471,530
2009	411,434	60,096	471,530
2010	426,668	44,862	471,530
2011	442,373	29,157	471,530
2012	458,776	12,755	471,531
Totals	<u>\$ 2,517,510</u>	<u>\$ 311,671</u>	<u>\$ 2,829,181</u>

Part 2

	Principal	Interest	Totals
2007	\$ -	\$ 774,366	\$ 774,366
2008	748,162	1,484,545	2,232,707
2009	778,793	1,453,915	2,232,708
2010	810,677	1,422,031	2,232,708
2011	843,867	1,388,841	2,232,708
2012 - 2016	4,766,731	6,396,807	11,163,538
2017 - 2021	5,825,733	5,337,806	11,163,539
2022 - 2026	7,120,008	4,043,531	11,163,539
2027 - 2031	8,701,825	2,461,714	11,163,539
2032 - 2035	7,217,678	596,799	7,814,477
Totals	<u>\$ 36,813,474</u>	<u>\$ 25,360,355</u>	<u>\$ 62,173,829</u>
Unadvanced Principle	<u>\$ (17,707,592)</u>		
Advanced Principle As of June 30, 2006	<u>\$ 19,105,882</u>		

NOTE 11- LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2006 was as follows:

	June 30, 2005	Additions	Reductions	June 30, 2006	Due within One year
Accrued compensated absences and related benefits	\$ 2,558,300	\$ 1,532,322	\$ 1,097,462	\$ 2,993,160	\$ 1,372,878
Revenue bonds payable	1,570,000	-	165,000	1,405,000	170,000
State institutional bond payable	3,750,000	-	130,000	3,620,000	140,000
Note payable	5,423,524	16,368,434	168,566	21,623,392	382,360
Totals	<u>\$ 13,301,824</u>	<u>\$ 17,900,756</u>	<u>\$ 1,561,028</u>	<u>\$ 29,641,552</u>	<u>\$ 2,065,238</u>

Additional information regarding bonds payable is included in Note 10.

NOTE 12 - RELATED PARTIES

Certain separately chartered legal entities whose activities are related to those of the University exist primarily to provide financial assistance and other support to the University and its educational program. They include the S.T.A.T.E. Club and the South Carolina State Alumni Association. Financial statements are not available for these entities. The activities of these entities are not included in the University's financial statements.

NOTE 13 - COMPONENT UNIT

The University's financial statements include \$106,368 due from the Foundation for reimbursement of various personnel and other costs. The amount of \$41,281 is included in the current assets and \$65,087 is non-current assets.

Various financial activities occurred between the University and the Foundation. A summary of transactions for the year ended June 30, 2006 follows:

Scholarships were awarded by the University and funded by the Foundation.	\$ 246,382
Stipends were paid by the University and funded by the Foundation. The University recorded these amounts as gift revenue and stipend expense.	\$6,294
Scholarships were awarded by the Foundation directly to students. These amounts were not recorded in the University's financial statements.	\$9,554
Reimbursements for University employee time and other costs were paid by the University on behalf of the Foundation and reimbursed by the Foundation. The University recorded these reimbursements as a reduction of the applicable operating expenses.	\$183,836
The Foundation purchased various food services and items from the University which were recorded as sales and services of auxiliary enterprises.	\$66,268
The Foundation and the S.T.A.T.E. Club purchased football tickets from the University that is recorded as ticket sales.	\$49,465

NOTE 14 - RISK MANAGEMENT

The University is exposed to various risks of loss and maintains State or commercial insurance coverage for each of those risks. Management believes such coverage is sufficient to preclude any significant uninsured losses for the covered risks. Settlement claims have not exceeded this coverage in any of the past three years.

The State of South Carolina believes it is more economical to manage certain risks internally and set aside assets for claim settlement. Several state funds accumulate assets and the State itself assumes substantially all the risk for the following claims of covered employees: Unemployment compensation benefits; Worker's compensation benefits for job-related illnesses or injuries; Health and dental insurance benefit; Long-term disability and group-life insurance benefits

Employees can elect health insurance coverage through either a health maintenance organization or through the State's self-insured plan.

The University and other entities pay premiums to the state's Insurance Reserve Fund (IRP), which issues policies, accumulates assets to cover the risk of loss, and pays claims incurred for covered losses relating to the following activities: Theft, damage to, or destruction of assets; Real property, its contents, and other equipment; Motor vehicles and watercraft; Torts; Business interruptions; Natural disaster; and Medical malpractice claims against covered employees

The IRF is a self-insurer and purchases reinsurance to obtain certain services and to limit losses in certain areas. The IRF's rates are determined actuarially.

The University obtains coverage through a commercial insurer for employee fidelity bond insurance for all employees for losses arising from theft or misappropriation and for health insurance for its student-athletes.

NOTE 15 - STATE APPROPRIATIONS AND TRANSACTIONS WITH STATE ENTITIES

The following are the appropriations as enacted by the General Assembly and reported in the financial statements for the year ended June 30, 2006.

Current years appropriations:

Original appropriations per Annual Appropriations Act	\$ 20,131,809
From State Department of Education for Felton Lab School	165,659
Increased Enforcement Collection (Proviso 73.17)	452,000
PSA Pay Plan Allocation-Health Insurance	29,228
PSA FY05-06 Appropriations per Appropriations Act	2,370,539
Supplemental Appropriations:	
State Health & Employer	908,213
Business School Pay Plan Accreditation & Transportation Center	821,270
Business School Accreditation Support (Provis 73.18 (7))	89,365
Transportation Center-Federal Match (Proviso 73.18 (7))	748,365
Program and Deferred Maintenance (Proviso 73.18 (7))	1,500,000
Total non-capital appropriations recorded as current year revenue	<u>\$ 27,216,448</u>

The University received substantial funding from the Commission on Higher Education (CHE) for scholarships on behalf of students that are accounted for as operating state grants and contracts. Additional amounts received from CHE are accounted for as both operating and non-operating revenues, depending upon the requirement of deliverables with a current or potential future economic value. The University also receives state funds for various other public service projects. Following is a summary of amounts received from state agencies for scholarships, sponsored research and public service projects for the fiscal year ended June 30, 2006.

Received from CHE:

Hope Scholarships	\$ 462,000
Life Scholarships	2,289,536
Palmetto Scholarships	13,400
Teaching Fellows	85,500
Need Based Grants	638,000
Access and Equity	112,387
Excellence Enhancement	587,500
Minority Recruitment	467,000
African American Teacher Loans	223,485
Lottery	3,095,367

Received from Other State Agencies:

Department of Education	289,696
Department of Transportation	11,584
Midland Center	679,850
Various	88,870
Total	<u>\$ 9,044,175</u>

NOTE 16 - OPERATING EXPENSES BY FUNCTION

Operating expenses by functional classification for the year ended June 30, 2006 are summarized as follows:

	Compensation and Benefits	Supplies and Services	Utilities	Scholarships and Fellowships	Depreciation	Total
Instruction	\$ 22,943,927	\$ 5,281,948	\$ -	\$ -	\$ -	\$ 28,225,875
Research	4,499,170	3,072,622	-	-	-	7,571,792
Public Service	3,084,833	4,029,283	-	-	-	7,114,116
Academic Support	5,355,872	3,316,353	-	-	-	8,672,225
Student Services	6,217,518	6,171,735	-	-	-	12,389,253
Operation and Maintenance of Plant	2,401,589	785,384	3,942,948	-	-	7,129,921
Institutional Support	6,326,492	3,465,499	-	-	-	9,791,991
Scholarships and Fellowships (net of discounts and allowances)	-	-	-	9,251,971	-	9,251,971
Auxiliary Enterprises	1,685,027	6,841,725	-	-	-	8,526,752
Depreciation and Amortization	-	-	-	-	1,747,984	1,747,984
Total Operating Expenses	\$ 52,514,428	\$ 32,964,549	\$ 3,942,948	\$ 9,251,971	\$ 1,747,984	\$ 100,421,880

NOTE 17 - STATEMENT OF ACTIVITIES

The following information is provided for incorporation in the state of South Carolina comprehensive annual financial report.

	FY 2006	FY 2005	Increase / Decrease
Charges for services	\$ 67,323,803	\$ 68,453,029	\$ (1,129,226)
Operating grants, contributions and investment income	7,839,258	7,824,489	14,769
Capital operating grants and contributions	602,029	914,938	(312,909)
Less expenses	(100,750,759)	(95,878,449)	(4,872,310)
Net program revenue (expenses)	<u>\$ (24,985,669)</u>	<u>\$ (18,685,993)</u>	<u>\$ (6,299,676)</u>
Transfers:			
State appropriations	\$ 27,216,448	\$ 23,170,304	\$ 4,046,144
Capital improvement bond proceeds	-	141,235	(141,235)
Transfers to/from other state agencies	(201,206)	(167,173)	(34,033)
Total transfers:	<u>\$ 27,015,242</u>	<u>\$ 23,144,366</u>	<u>\$ 3,870,876</u>
Change in net assets	2,029,573	4,458,373	(2,428,800)
Net assets-beginning	54,072,456	49,614,083	4,458,373
Net assets-ending	<u>\$ 56,102,029</u>	<u>\$ 54,072,456</u>	<u>\$ 2,029,573</u>

South Carolina State University Comprehensive Annual Financial Report



Statistical Section

South Carolina State University
Schedule of Revenues By Source

For the Year Ended June 30,					
(amounts experssed in thousands)					
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues					
Operating Revenues:					
Student Tuition and Fees (net of scholarship allowance)	\$ 24,965	\$ 24,380	\$ 19,793	\$ 17,052	\$ 15,347
Federal Grants and Contracts	26,590	25,535	22,440	21,886	20,541
State Grants and Contracts	5,329	7,141	3,980	3,236	2,598
Local Grants and Contracts	-	-	-	-	1
Non-Government Grants and Contracts	362	154	95	45	27
Sales and Services of Educational and Other Activities	398	485	456	323	352
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)	9,680	10,758	8,261	5,911	6,994
Other Operating Revenue	3,664	3,021	1,864	1,661	1,059
Total Operating Revenue	70,988	71,474	56,889	50,114	46,919
Non-Operating Revenues:					
State Appropriations	27,216	23,170	22,576	24,642	27,562
Gifts, Grants and Contracts	4,318	5,365	453	375	291
Interest Income	341	262	76	539	260
Other Non-Operating Revenue	119	233	5,679	5,556	1,141
Total Non-Operating Revenue	31,994	29,030	28,784	31,112	29,254
Total Revenues	\$ 102,982	\$ 100,504	\$ 85,673	\$ 81,226	\$ 76,173

Schedule of Revenue by Source %

For the Year Ended June 30,					
(percent of total revenue)					
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues					
Operating Revenues:					
Student Tuition and Fees (net of scholarship allowance)	24.24%	24.26%	23.10%	20.99%	20.15%
Federal Grants and Contracts	25.82%	25.41%	26.19%	26.94%	26.97%
State Grants and Contracts	5.17%	7.11%	4.65%	3.98%	3.41%
Local Grants and Contracts	0.00%	0.00%	0.00%	0.00%	0.00%
Non-Government Grants and Contracts	0.35%	0.15%	0.11%	0.06%	0.04%
Sales and Services of Educational and Other Activities	0.39%	0.48%	0.53%	0.40%	0.46%
Sales and Services of Auxiliary Enterprises (net of scholarship allowance)	9.40%	10.70%	9.64%	7.28%	9.18%
Other Operating Revenue	3.56%	3.01%	2.18%	2.04%	1.39%
Total Operating Revenue	68.93%	71.12%	66.40%	61.70%	61.60%
Non-Operating Revenues:					
State Appropriations	26.43%	23.05%	26.35%	30.34%	36.18%
Gifts, Grants and Contracts	4.19%	5.34%	0.53%	0.46%	0.38%
Interest Income	0.33%	0.26%	0.09%	0.66%	0.34%
Other Non-Operating Revenue	0.12%	0.23%	6.63%	6.84%	1.50%
Total Non-Operating Revenue	31.07%	28.88%	33.60%	38.30%	38.40%
Total Revenues	100.00%	100.00%	100.00%	100.00%	100.00%

Source: The Audited Financial Statements of South Carolina State University for the years ended June 30, 2006, 2005, 2004, and 2003, 2002

South Carolina State University

Schedule of Expenses by Use

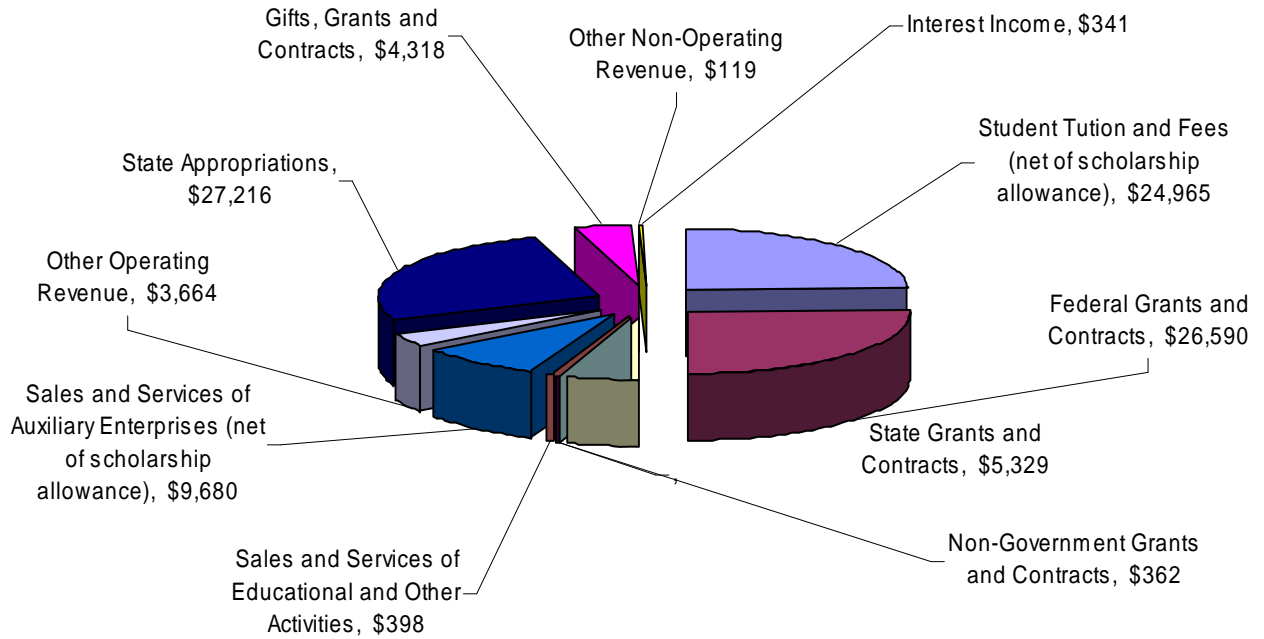
For the Year Ended June 30,					
(amounts expressed in thousands)					
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses:					
Operating Expenses:					
Compensation and Employee Benefits	\$52,514	\$ 48,571	\$ 44,877	\$ 46,243	\$ 48,627
Service and Supplies	32,965	33,447	22,469	16,332	18,892
Utilities	3,943	3,026	2,308	2,370	1,844
Depreciation	1,748	1,920	1,795	1,801	1,902
Scholarships and Fellowship	9,252	8,478	8,967	9,182	7,768
Bad Debts, Loan Cancel and Others	-	-	307	208	1,698
Total Operating Expenses	\$ 100,422	\$ 95,442	\$ 80,723	\$ 76,136	\$ 80,731
Non_Operating Expenses:					
Interest and Other	530	604	436	333	334
Total Non-Operating Expenses	530	604	436	333	334
Total Expenses	\$ 100,952	\$ 96,046	\$ 81,159	\$ 76,469	\$ 81,065

Schedule of Expenses by Use %

For the Year Ended June 30,					
(percent of total expenses)					
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expenses:					
Operating Expenses:					
Compensation and Employee Benefits	52.02%	50.57%	55.30%	60.47%	59.99%
Service and Supplies	32.65%	34.82%	27.69%	21.36%	23.30%
Utilities	3.91%	3.15%	2.84%	3.10%	2.27%
Depreciation	1.73%	2.00%	2.21%	2.36%	2.35%
Scholarships and Fellowship	9.16%	8.83%	11.05%	12.01%	9.58%
Bad Debts, Loan Cancel and Others	0.00%	0.00%	0.38%	0.27%	2.09%
Total Operating Expenses	99.47%	99.37%	99.46%	99.56%	99.59%
Non_Operating Expenses:					
Interest and Capital Asset Related Debt	0.53%	0.63%	0.54%	0.44%	0.41%
Total Non-Operating Expenses	0.53%	0.63%	0.54%	0.44%	0.41%
Total Expenses	100.00%	100.00%	100.00%	100.00%	100.00%

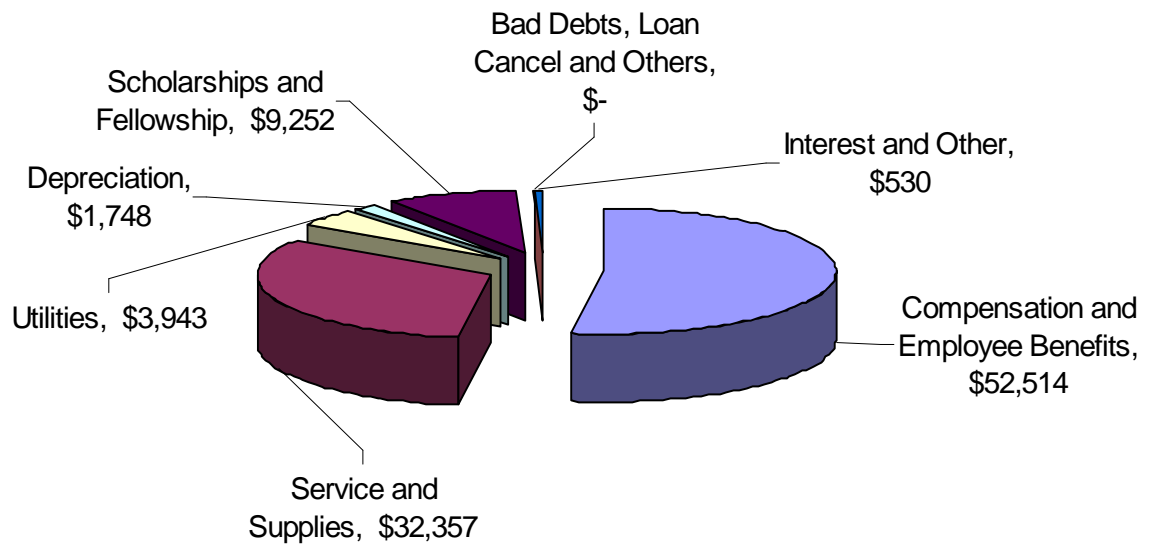
Source: The Audited Financial Statements of South Carolina State University for the years ended June 30, 2006, 2005, 2004, 2003 and 2002

Revenue by Source Fiscal Year 2006



Amounts expressed in thousands

Expenses by Use Fiscal Year 2006



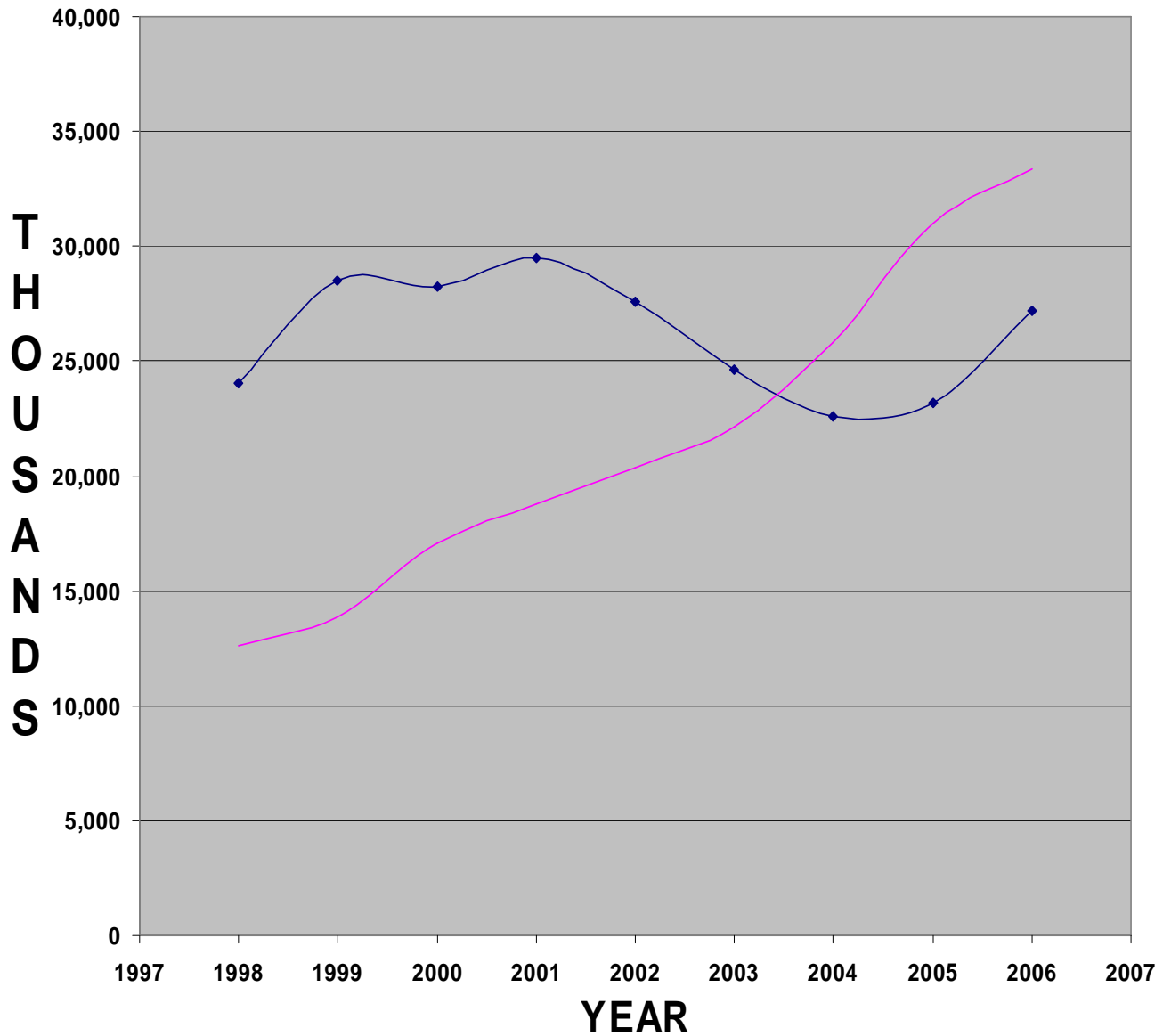
Amounts expressed in thousands

Source: The Audited Financial Statements of South Carolina State University for the years ended June 30, 2006.

South Carolina State University

State Appropriations and Gross Tuition and Fees

1998-2006



Source: The Audited Financial Statements of South Carolina State University for the years ended June 30, 1998 through 2006

SOUTH CAROLINA STATE UNIVERSITY
Schedule of Bond Coverage
(amounts in thousands)

Revenue, Stadium, and Housing Bonds
Last Five Fiscal Years ¹

Fiscal Year Ended June 30,	Defined Net Revenue Available for Debt Service	Total Revenue Available for Debt Service	Debt Service Principal	Payment Interest	Requirements Total	Coverage Total
2006	\$ 569	\$ 569	\$ 334	\$ 173	\$ 507	1.12
2005	1,888	1,888	430	267	697	2.71
2004	1,780	1,780	415	284	699	2.55
2003	1,505	1,505	385	306	691	2.18
2002	556	556	370	325	695	0.80
2001	976	976	355	347	702	1.39

State Institutional Bonds
Last Two Fiscal Years ²

2006	\$ 1,044	\$ 1,044	\$ 137	\$ 130	\$ 267	3.91
2005	879	879	130	144	274	3.21
2004	729	729	120	149	269	2.71

Notes

¹ Only six years data are currently available and will continually be added

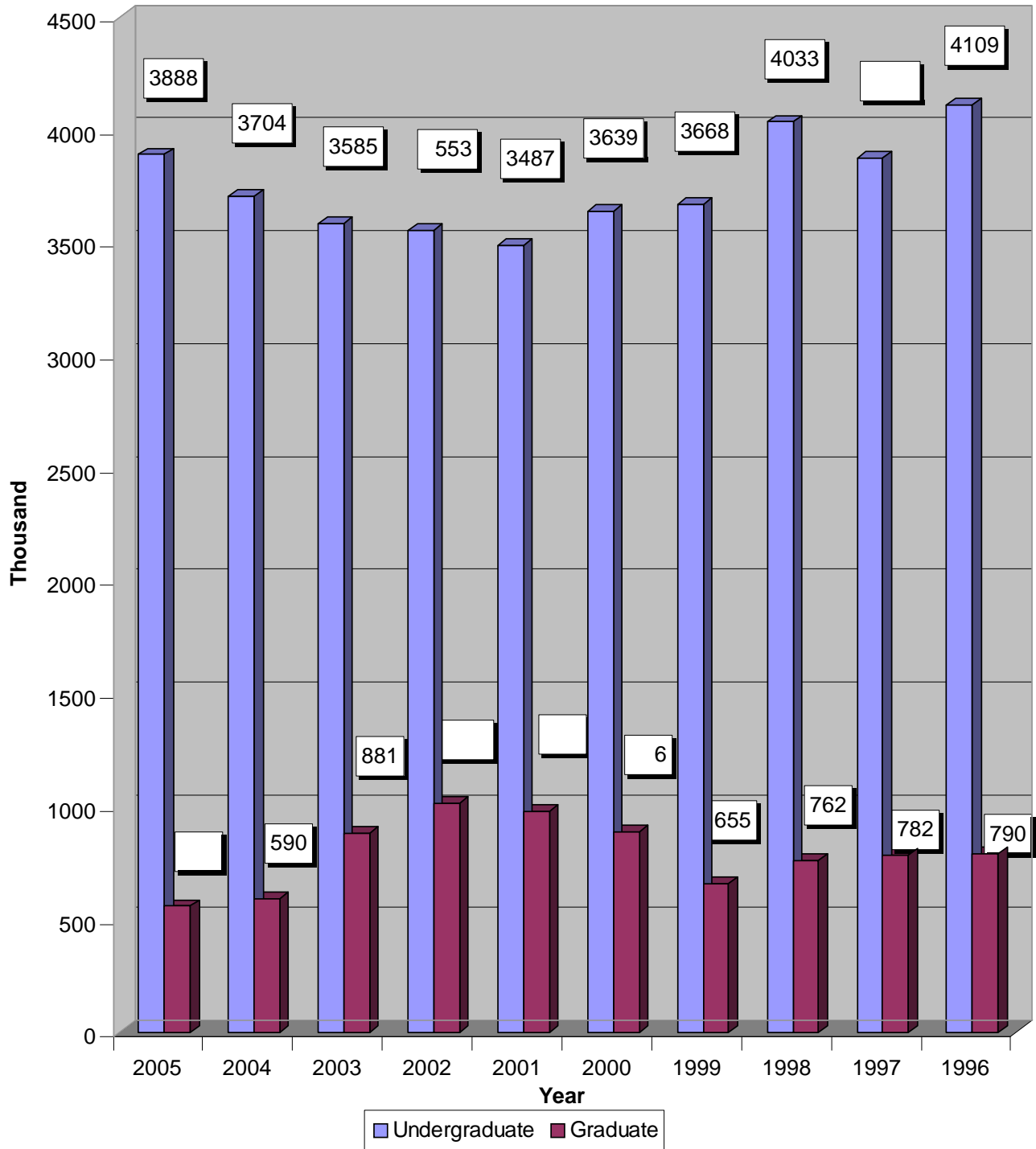
² State Institutional Bonds were issued in FY2003

Source: The Audited Financial Statements of South Carolina State University for the years ended June 30, 2001 through 2006

SOUTH CAROLINA STATE UNIVERSITY

Student Head Count

1996-2005

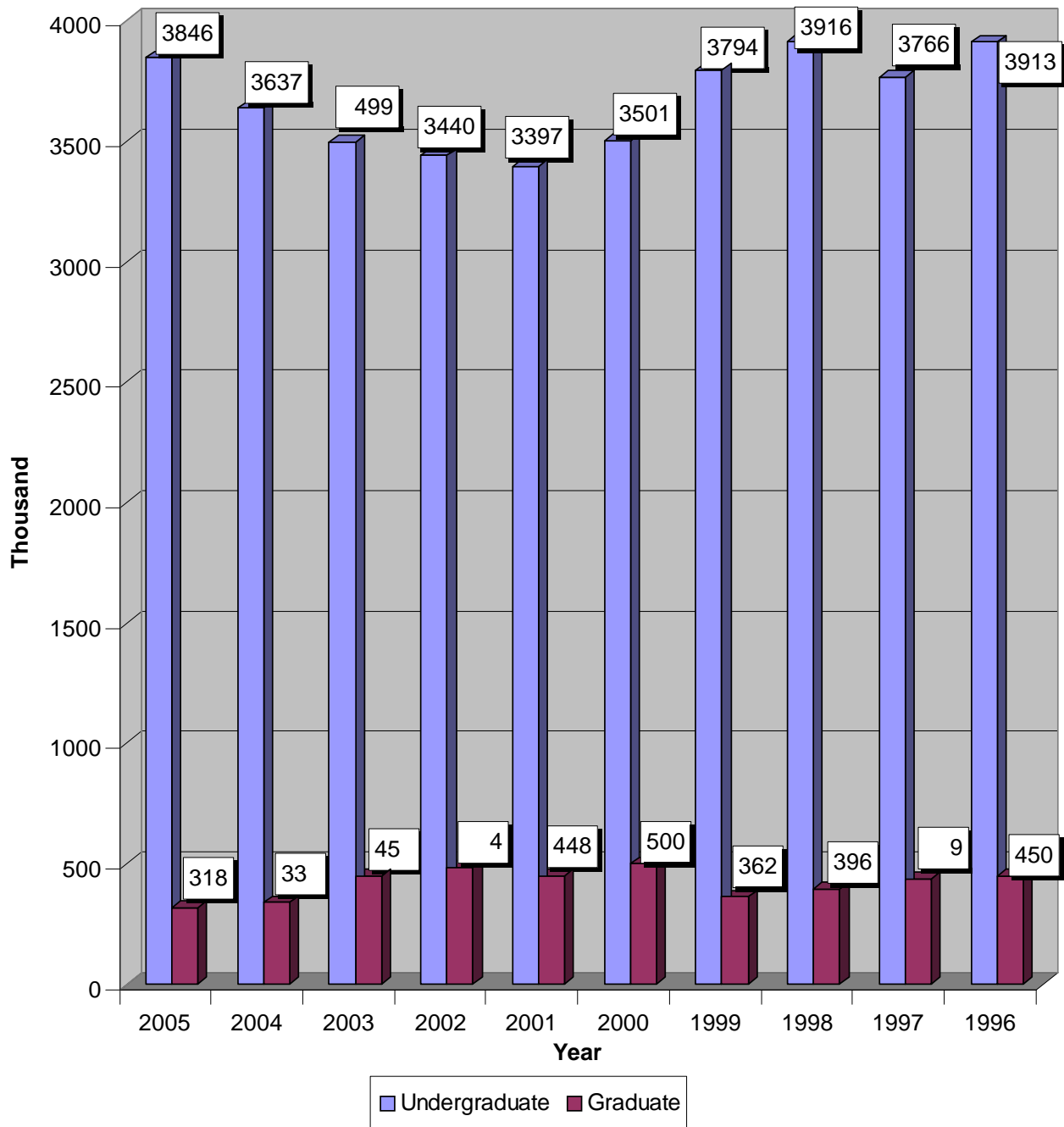


Source: South Carolina State University Office of Institutional Research

SOUTH CAROLINA STATE UNIVERSITY

Student Full Time Equivalent

1996-2005

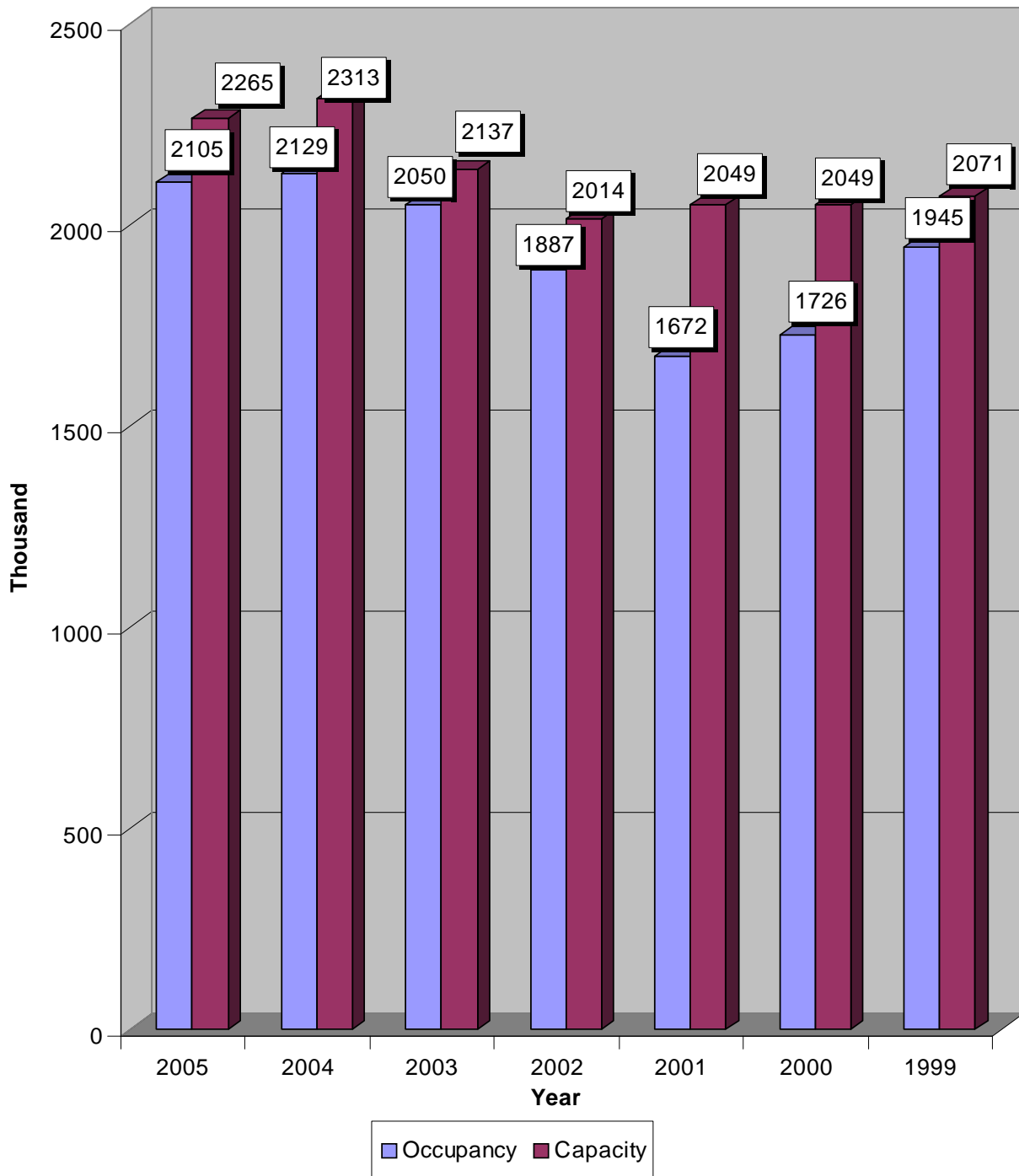


Source: South Carolina State University Office of Institutional Research

SOUTH CAROLINA STATE UNIVERSITY

Fall Residence Hall Occupancy/Capacity

1999-2005



Source: South Carolina State University Office of Institutional Research

South Carolina State University
Full-Time Teaching Faculty
Rank and Tenure
For the Last Seven Years

<u>Year Ended</u> <u>June 30,</u>	<u>Professors</u>	<u>Associate</u> <u>Professors</u>	<u>Assistant</u> <u>Professors</u>	<u>Lecturer</u> <u>&</u> <u>Instructor</u>	<u>Total</u>	<u>Percent</u> <u>with</u> <u>Tenure</u>
2005	51	48	83	29	211	61%
2004	42	45	73	26	186	45%
2003	50	57	83	26	216	44%
2002	49	55	84	25	213	34%
2001	56	53	73	29	211	66%
2000	57	55	76	27	215	51%
1999	55	52	81	29	217	51%

Source: South Carolina State University Office of Institutional Research

South Carolina State University

Academic Subject Areas and Degrees Offered

Fall 2006

UNDERGRADUATE

Accounting, BS	Marketing, BS
Agribusiness, BS	Mathematics, BS
Art Education, K-12, BS	Mechanical Engineering Technology, BS
Biology, BS	Music Education, BS
Business Education, BS	Music Industry, BA
Chemistry, BS	Music Performance, BA
Civil Engineering Technology, BS	Nuclear Engineering, BS
Computer Science, BS	Nursing, BSN
Criminal Justice, BS	Nutrition and Food Management, BS
Dramatic Arts, BA	Physical Education Teaching, BS
Early Childhood Education, BS	Physics, BS
Economics/Business Economics, BS	Political Science & Government, BA
Electrical Engineering Technology, BS	Psychology, General, BS
Elementary Education, BS	Social Work, BSW
English, Professional, BA	Sociology, BA
Family and Consumer Sciences Education, BS	Social Sciences, BA
Family and Consumer Sciences Business, BS	Spanish, BA/BS
Health Education, K-12, BS	Special Education, BS
History, BA	Speech Pathology and Audiology, BA
Industrial Education, BS	Studio Arts, BA
Industrial Engineering Technology, BS	
Management, BS	

GRADUATE

Agribusiness, MS, MBA	Rehabilitation Counseling, MA
Counselor Education, MEd	Secondary Education, MEd, MAT
Early Childhood Education, MAT	Special Education, MEd
Elementary Education, MAT, MEd	Speech Pathology and Audiology, MA
Individual and Family Development, MS	Transportation, MS
Nutritional Sciences, MS	Education Administration, EDD

BA-Bachelor of Arts	MAT-Master of Arts in Teaching
BS-Bachelor of Science	MBA-Master of Business Administration
BSW-Bachelor of Social Work	MEd -Master of Education
BSN-Bachelor of Science in Nursing	MS-Master of Science
EDD-Doctor of Education	

STATE OF SOUTH CAROLINA

Demographics Statistics

Last Ten Calendar Years

Year	Population as of June 30	Total Personal Income	Per Capita Income	Average Annual Unemployment Rate
2005	4,255,083	120,639	28,352	6.8%
2004	4,197,892	114,121	27,185	6.8%
2003	4,146,753	107,701	25,972	6.7%
2002	4,102,568	104,046	25,361	5.9%
2001	4,059,560	101,468	24,994	5.2%
2000	4,023,560	98,270	24,424	3.6%
1999	3,974,682	91,716	23,075	4.1%
1998	3,919,235	86,854	22,161	3.6%
1997	3,859,696	81,004	20,987	4.4%
1996	3,796,200	76,144	20,058	5.6%

Source: South Carolina Comptroller General's Office

STATE OF SOUTH CAROLINA

Ten Largest Employers

Lastest Completed Calendar Year and Four Prior Years²
(Listed Alphabetically)

2005	2001
Bi-Lo, Inc.	Bi-Lo, Inc.
Blue Cross/Blue Shield of South Carolina	Blue Cross/Blue Shield of South Carolina
Charleston County School District	Michelin Tire Corporation
Greenville Hospital System	School District of Greenville
Michelin North America, Inc.	Springs Industries, Inc.
School District of Greenville	University of South Carolina
U.S. Department of Defense	U. S. Department of Defense
U.S. Postal Service	U.S. Postal Service
Wal-Mart Associates, Inc.	Wal-Mart Associates, Inc.
Washington Savannah River	Westinghouse Savannah River

² The ten largest employers prior to calendar year 2001 are unavailable

Note: Due to confidentiality issues, the numbers of employees for each company is not available and the employers are listed alphabetically rather than in order of size.

Source: South Carolina Comptroller General's Office

STATE OF SOUTH CAROLINA

Employment by Industry

Latest Completed Calendar Year and Nine Prior Years

Sources	1996		2005	
	Number of Employees	Percent of Total	Number of Employees	Percent of Total
Contract construction	94,300	5.6%	117,100	6.3%
Manufacturing:				
Durable goods	144,500	8.6%	135,300	7.3%
Nondurable goods	221,500	13.2%	126,600	6.8%
Transportation, communication, and public utilities	73,700	4.4%	89,100	4.8%
Wholesale and retail trade:				
Wholesale	67,400	4.0%	67,100	3.6%
Retail	330,100	19.7%	229,300	12.3%
Finance, insurance and real estate	72,800	4.3%	97,900	5.3%
Services and mining	376,600	22.6%	669,700	36.0%
Government:				
Federal	28,400	1.7%	28,500	1.5%
State and local	266,200	15.9%	299,800	16.1%
Total wage and salary employment	1,675,500	100.0%	1,860,400	100.0%

Note: Due to confidentiality issues, the number of employees for individual companies within the State is not available. The categories presented are intended to provide alternative information regarding the principal employers within the State.

Source: South Carolina Employment Security Commission



